Municipal Affairs

Annual Report
2011-2012

Alberta

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Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 21 ministries.

The annual report of the Government of Alberta contains ministers' accountability statements, the consolidated financial statements of the province and *Measuring Up* report, which compares actual performance results to desired results set out in the government's strategic plan.

On October 12, 2011, the government announced new Ministry structures. The 2011-12 Ministry annual reports and financial statements have been prepared based on the October 12, 2011 Ministry structure.

The October 12, 2011 Ministry of Municipal Affairs is comprised of the Department of Municipal Affairs and the housing component of the former Housing and Urban Affairs, including the Alberta Social Housing Corporation. The Francophone Secretariat was transferred from Municipal Affairs to Intergovernmental, International and Aboriginal Relations.

This annual report of the Ministry of Treasury Board and Enterprise contains the president's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the Ministry business plan. This Ministry annual report also includes other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report; and financial information relating to trust funds.

Minister's Accountability Statement

The ministry's annual report for the year ended March 31, 2012, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at June 8, 2012 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

[Original signed by Doug Griffiths]

Honourable Doug Griffiths
Minister of Municipal Affairs

Message from the Minister

Greetings from the Honourable Doug Griffiths – Minister of Municipal Affairs

Our government has a clear vision for this province. It's one that focuses on what matters most to Albertans – having a strong fiscal framework, caring for families and the vulnerable, promoting and protecting our resources and having solid consultation processes that ensure Albertans are heard.

This vision builds on the hard work done in 2011-12. It includes predictable and ongoing funding to Alberta communities through the Municipal Sustainability Initiative. Since 2007, we've invested in municipal infrastructure projects like roads, libraries and public transit. It has empowered local decision-making ensuring municipal leaders support the projects that matter most to their residents.

Communities do not exist in isolation and we continue to support municipal collaboration such as the Capital Region Board and Calgary Regional Partnership. Our ongoing investment has supported municipalities in working together to build essential infrastructure and attract investment.

We are also working together to promote safe communities. The May 2011 Slave Lake wildfire recovery and rebuilding efforts is a good example of this. Wildfires engulfed over 450 properties in the Slave Lake region, leaving the community overwhelmed. From coordinating the response during the crisis, to working with the affected municipalities on a recovery plan, Municipal Affairs' staff worked tirelessly to support their fellow Albertans. Residents of the Slave Lake region are now looking to the future with renewed hope and optimism.

Throughout our province, neighbours helping neighbours is in our nature, and we continue to acknowledge having safe and affordable housing helps build better communities. Over the past year, more than 4,500 affordable housing units have been fully developed, supporting more than 10,330 Albertans. Municipal

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Affairs shared in this success when it reintegrated the Housing portfolio into this ministry in October 2011, putting a new focus on the inclusion, well-being, and independence of lower-income Albertans through safe and affordable housing.

In June 2011, the department was proud to launch a state of the art province-wide public alert system, Alberta Emergency Alert. The system notifies Albertans of potential disasters through television, radio, internet and through social media. This program, coupled with the ongoing support and training we provide to firefighters and search and rescue workers, has ensured Alberta has one of the top safety systems in the world.

It is also recognized public safety extends beyond emergency situations. That is why our commitment to citizens' well-being has continued to include ongoing governance and refinement of our safety codes and standards.

It has been an exciting year and we accomplished a lot. As we look to the future, we have a solid plan that builds on the strength of our municipal partnerships, collaboration with non-profit groups and leadership in the private sector. Our government will invest in municipal services, the infrastructure that supports them, and the families and communities that depend on them to secure Alberta's economic future.

[Original signed by Doug Griffiths]

Honourable Doug Griffiths
Minister of Municipal Affairs

Lesser Slave Lake Regional Wildfire

Lesser Slave Lake Regional Wildfire – Response and Recovery

The scale of the May 2011 wildfire disaster in the Lesser Slave Lake region, and the response to it, was unprecedented in Alberta's history. Municipal Affairs played key roles in the government-wide response to the devastating wildfires of May 2011 that damaged or destroyed over 450 properties in the Lesser Slave Lake region. In the emergency-response phase of the disaster, the Ministry activated the Provincial Operations Centre to draw representatives together from multiple departments to co-ordinate vital support for the local emergency operations centre. Local and provincial operations moved into the disaster recovery phases once the fires were under control, essential services were re-established, and phased re-entry of residents began.

Recognizing the profound impact of the wildfires, the Alberta government created the Cross-Ministry Assistant Deputy Ministers' (ADM) Task Force on Slave Lake Recovery, supported by a Cross-Ministry Working Committee (CMWC), to co-ordinate provincial support to the region. In late August 2011, Municipal Affairs became responsible for leading this task force and has worked closely with local government leaders and administrators, provincial and federal departments, not-for-profit organizations and other affected parties to help the region recover from the wildfires and ensure that it is well-positioned for future growth. Local leadership is provided by the Tri-Council, composed of the Town of Slave Lake, the Municipal District of Lesser Slave River No. 124, and Sawridge First Nation, and supported by the Chief Administrative Officer Secretariat.

In July 2011, government approved the Lesser Slave Lake Regional Wildfire Recovery Plan – created in collaboration with the town, municipal district, and First Nation. The plan sets out recovery projects and activities in support of four priorities: People; Environment; Reconstruction; and Economy, with the goal "to return the region to its pre-disaster state, while ensuring that its communities are not socially, environmentally or economically disadvantaged by the wildfire event and are well-positioned for future growth."

The Government of Alberta has committed $289 million for recovery efforts in the Lesser Slave Lake region, which is administered by Municipal Affairs through four funding envelopes:

1) **Disaster Recovery Program** ($125.3 million) includes funding for non-insurable municipal infrastructure, mutual aid and evacuation efforts by other municipalities, and some of the provincial response efforts such as the administration of the Provincial Operations Centre and contractual work with the Red Cross;
2) **Community Stabilization** ($56.7 million) includes funding directed primarily to provincial government costs for recovery efforts that were not eligible under the Disaster Recovery Program, but that helped in the immediate re-stabilization of affected communities, for example, the $1,250 per adult and $500 per child provided to displaced residents;
3) **Interim Housing Project** ($42.8 million) includes funding for more than 230 interim housing units and a 34-unit apartment building to house residents who lost their homes in the fire; and
4) **Lesser Slave Lake Regional Wildfire Recovery Plan projects** ($64.2 million) to help return the region to its pre-disaster state and position it for future growth.

The magnitude and scope of the devastation caused by the 2011 Lesser Slave Lake region wildfire destroyed housing, infrastructure and businesses in addition to displacing almost 15,000 people. More than 730 households lost their homes. The Town's municipal offices and much of their records were destroyed. The Ministry collaborated closely with other ministries to respond:

- Alberta Emergency Management Agency supported the local Emergency Operations Centre, both on the ground and through the Provincial Operations Centre, during the over two week State of Local Emergency and evacuation, and during the initial recovery stage.
- The Office of the Fire Commissioner coordinated fire and emergency medical services in the community, provided additional equipment, and supported the municipality's fire and investigation reporting activities.
- Immediately after the wildfires, the former Ministry of Housing and Urban Affairs, now part of Municipal Affairs, provided basic accommodation for essential workers and established an Emergency Accommodation Program to provide access to housing for those who were uninsured and had limited financial resources to provide for their housing needs.
- The former Ministry also collaborated with Alberta Infrastructure to develop and service two sites, and purchase and install interim housing units on these lots, and an apartment building was also purchased in the region to assist with housing displaced residents. This interim housing has provided nearly 250 families with temporary housing as they rebuild their homes or look for other appropriate permanent housing.
- The Public Safety Division worked with accredited agencies to coordinate permits and inspections for temporary and new homes. By the end of March 2012, 502 building permits were issued in the town and 136 building permits were issued in the municipal district.
- The Local Government Services Division provided support to the ADM Task Force and coordination for the CMWC. It coordinated the government's provision of funding and municipal administrative support to the region, including the establishment of the Regional Recovery Coordination Group, made up of provincial employees and contractors providing support to local administrators for planning and implementing Recovery Plan projects and activities.

Note: The Ministry's efforts to respond to this disaster supported multiple business plan goals. Rather than report the Ministry contribution under each goal, an overall report was provided above.

Management's Responsibility for Reporting

The Ministry of Municipal Affairs includes the Department of Municipal Affairs, the Special Areas Board, seven Improvement Districts, the Safety Codes Council and the Alberta Social Housing Corporation.

The Department of Municipal Affairs consists of Local Government Services Division, the Municipal Government Board, the Public Safety Division, the Housing Division, the Corporate Strategic Services Division, and the Alberta Emergency Management Agency.

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and supporting management information are integral to the government's fiscal and strategic plan, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Municipal Affairs. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts based on estimates and judgments. Consolidated financial statements are prepared in accordance with Canadian public sector accounting standards. Performance measures are prepared using the following criteria:

- **Reliability** – Information used in applying performance measure methodologies agrees with underlying source data for the current and prior years' results.
- **Understandability** – Performance measure methodologies and results are presented clearly.
- **Comparability** – Methodologies for performance measure preparation are applied consistently for the current and prior years' results.
- **Completeness** – Goals, performance measures and related targets match those included in the Ministry's Budget 2011.

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As Deputy Minister, I am responsible for the Ministry's financial administration and reporting functions in addition to program responsibilities. The Ministry maintains systems of financial management and internal control which consider costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the province under Ministry administration;
- provide Executive Council, the President of Treasury Board and Minister of Finance and the Minister of Municipal Affairs information needed to fulfill their responsibilities; and
- facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act*.

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executive of the individual entities within the Ministry.

[Original signed by Paul Whittaker]

Paul Whittaker
Deputy Minister, Municipal Affairs
June 8, 2012

RESULTS ANALYSIS

Ministry Overview – Municipal Affairs

Local Government Services Division

Local Government Services provides support and advice to assist municipalities in providing Albertans with strong and effective local government.

The division provides advisory support, training and internship programs, and other tools in support of enhanced municipal capacity and sustainability.

The division supports the development and implementation of strategic initiatives such as the Municipal Sustainability Strategy, Government Re-engineering Initiative on Municipal Grants, Land-use Framework, Capital Region Growth Plan, Calgary Regional Partnership, Provincial Energy Strategy, Water for Life Strategy, Clean Air Strategy, and *Responsible Actions: A Plan for Alberta's Oil Sands*.

Municipal co-operation is fostered through land-use planning assistance, mediation programming, and financial support for regional collaboration. The division also administers grant programs, including the Municipal Sustainability Initiative, which reflects the government's funding commitments to municipalities.

Local Government Services provides assistance and advice to municipalities on assessment and tax-related issues. It also oversees the policies and procedures for the assessment of property in Alberta; determines each municipality's share of the education tax; reviews and audits municipal assessments; and assesses linear property such as oil and gas wells, pipelines, electric power systems (generation, transmission, distribution) and telecommunication systems for Alberta municipalities. Equalized assessments are generated for requisitioning taxes for intermunicipal cost-sharing programs, and in formulas for calculating various grants to municipalities.

Special Areas Board

The Special Areas Board is appointed by the Lieutenant-Governor in Council and is responsible for the management and administration of 2.64 million acres of public land located in southeast Alberta and the provision of municipal services to the residents of these areas, including the maintenance and construction of local roads, and the maintenance of parks. Services include: the provision of water services; public land management (grazing, cultivation, and oil and gas development); emergency and protective services; and rural stabilization and economic development.

Improvement Districts

Municipal Affairs provides limited municipal services in seven improvement districts, including Waterton National Park, Banff National Park, Jasper National Park, Elk Island National Park, Wood Buffalo National Park, Willmore Wilderness Park, and Improvement District No. 349. The provincial government, through Municipal Affairs, is responsible for all functions of local government in these improvement districts, including the levy and collection of taxes.

Municipal Government Board

The Municipal Government Board conducts independent, quasi-judicial adjudication functions required by the *Municipal Government Act* with respect to linear property assessment complaints, equalized assessment appeals, subdivision appeals, annexation recommendations, intermunicipal disputes and other matters referred to the board by the Minister of Municipal Affairs or Lieutenant-Governor in Council. In addition, the Municipal Government Board provides a member to municipal assessment review boards to adjudicate property assessment complaints.

Public Safety Division

Public Safety administers a framework of safety codes and standards and assists municipalities with promoting the safe construction, operation and maintenance of buildings, facilities and associated equipment. This includes administering the *Safety Codes Act*, which establishes codes, standards and administrative processes in 10 disciplines: building, fire, plumbing, gas, electrical, elevators, amusement rides, passenger ropeways (ski lifts), pressure equipment, and private sewage disposal systems.

The division also represents the Government of Alberta in the development of national and international codes and standards; provides technical advice and program support to municipalities, industry and the public; and works with the Safety Codes Council to assist and monitor municipalities and corporations that have been accredited to administer safety codes and standards. As the third largest provider of safety codes services in Alberta, Public Safety oversees permit and inspection services delivery agents in municipalities that are not accredited to deliver these services. The division also works with and oversees three delegated administrative organizations: Alberta Boilers Safety Association, Alberta Elevating Devices and Amusement Rides Safety Association and Petroleum Tank Management Association of Alberta.

The division includes the Office of the Fire Commissioner (OFC), which provides leadership, support and advice to municipalities, First Nations, government departments and other fire service stakeholders; promotes fire and injury prevention; and supports effective fire risk management, public awareness and prevention programs, fire investigations, and safety codes system support – including inspections and technical guidance. The OFC also supports the search and rescue sector through grants and training support. Finally, the OFC collects, analyzes and reports on fire incident data.

The division also delivers the Tank Site Remediation Program, which helps municipalities and other eligible owners of current or former retail gas station sites to clean up contamination caused by leaking underground petroleum storage tanks.

Safety Codes Council

The Safety Codes Council is a corporation established under the *Safety Codes Act*, comprised of volunteer industry stakeholders with expertise in the codes and standards discipline areas to which the Act applies. The Safety Codes Council assists government in the formulation of Alberta's safety codes and standards and advises the Minister on related matters; trains and certifies safety codes officers; accredits municipalities and corporations to administer the Act and accredits agencies that provide services to accredited entities. The council also administers an appeals process for decisions made under the *Safety Codes Act* such as orders, accreditation designations and safety codes officer certification; delivers public safety programs to industry and communities; and administers a province wide electronic permit and information system.

Housing Division

Housing works with more than 400 organizations, including municipalities, housing management bodies, non-profit and private sector organizations in order to help low-income Albertans access below market housing options that meet their basic needs. The division delivers capital grant programs to increase the province's supply of affordable housing; monitors agreements related to approximately 17,000 affordable housing units; ensures the operations of the 26,500 provincially-owned and/or supported social housing units are managed effectively; and manages the delivery of the rent supplement programs and other grant initiatives delivered through the department and the Alberta Social Housing Corporation.

Alberta Social Housing Corporation

The Alberta Social Housing Corporation is an entity under the Ministry and operates under the authority of the *Alberta Housing Act*. The corporation owns and administers the province's portfolio of social housing and manages agreements associated with those assets. It facilitates the provision of social housing options for low-income Albertans, including individuals, families, seniors and those with special needs, through community-based housing management bodies (HMBs) which operate and maintain a majority of provincially-owned housing.

In addition, the corporation directly operates units not managed by HMBs and administers the sale of provincially-owned properties that are no longer efficient or effective for social housing programs.

The corporation also oversees provincial commitments and entitlements remaining from discontinued business activities such as mortgages and loan guarantees and directly operates and acts as the landlord for a small portion of units classified as "rural housing."

Corporate Strategic Services Division

Corporate Strategic Services is responsible for the Ministry's information technology, financial, corporate strategic policy and administrative functions. The division also leads the Ministry's business planning, performance measurement, environmental scanning, enterprise risk management, legislative planning, and information access and privacy protection.

Public Library Services is part of this division, and provides leadership in policy development, supports the province-wide public library network in providing public library services to Albertans, provides funding assistance to library boards to help them capitalize on the use of technology, and establishes a network for communications and shared library resources across the province.

Alberta Emergency Management Agency

The *Emergency Management Act* governs the Alberta Emergency Management Agency (AEMA) and gives the authority to act in an emergency. The AEMA works under two regulations:

1) Disaster Recovery Regulation, which allows the agency to provide financial assistance to people affected by disasters; and
2) Government Emergency Management Regulation, which deals with mitigation and response strategies for individual and multi-department business disruptions.

The AEMA co-ordinates, with partners, a province-wide public safety system intended to protect Albertans, their property, the environment and the economy against all hazards. In partnership with local governments, the AEMA strives to effectively manage public safety and reduce the impact of disasters and emergency events. The AEMA provides strategic policy direction and leadership by co-ordinating programs and initiatives to assist in the prevention and mitigation of, preparedness for, response to, and recovery from, emergencies.

Direction and resources are provided to ensure the most efficient safety systems are in place to prevent and/or respond to a disaster. The system requires individual citizens, communities, industry and governments to work together to provide seamless synchronized response to emergencies. In disaster situations, the AEMA coordinates this response and offers direct support and assistance to community operations where needed.

The AEMA supports the continuous improvement of Alberta's public safety system through the development of sustainable emergency management capabilities; search and rescue; disaster social services; and amateur radio operators in Alberta's communities, industries, and government by:

- providing leadership and strategic policy direction in support of GoA public safety governance and emergency management initiatives;
- collaborating with other provincial, territorial, federal and international stakeholders to promote a more coordinated approach to emergency management within Canada;
- strengthening provincial public safety coordination and assuring the availability and readiness of the Provincial Operations Centre to coordinate cross-ministry response and recovery operations; and
- developing, reviewing and maintaining the GoA emergency, consequence management, and GoA business continuity plans.

The AEMA also supports the continuous improvement of Alberta's public safety system by:

- encouraging the development of partnerships within regions and among emergency management partners and stakeholders;
- conducting research and fostering knowledge sharing;
- modernizing training provided to the GoA and municipalities, and the policies for provincial training grants;
- moving forward with legislation to provide liability protection to municipalities for fire and emergency management;
- leading Alberta's emergency alert system; and
- providing recovery assistance and operations, including disaster recovery programs.

Support Services

Staff from specialized areas support the department in achieving its business plan goals, strategic policy support and development, and strategic planning. Services include the provision of legal advice regarding the Ministry's acts and regulations, legal representation before the courts and various administrative tribunals, human resources, and communicating information to Albertans.

Shared Services

Municipal Affairs continues to receive some administrative, information technology, financial and human resource processing services from Service Alberta.

Review Engagement Report

AUDITOR GENERAL *Alberta*

To the Members of the Legislative Assembly

I have reviewed the performance measures identified as "Reviewed by Auditor General" in the *Ministry of Municipal Affairs' 2011-12 Annual Report*. The reviewed performance measures are the responsibility of the Ministry and are prepared based on the following criteria:

- Reliability - information used in applying performance measure methodologies agrees with underlying source data for the current and prior years' results.
- Understandability - the performance measure methodologies and results are presented clearly.
- Comparability - the methodologies for performance measure preparation are applied consistently for the current and prior years' results.
- Completeness – the goals, performance measures and related targets match those included in the Ministry's Budget 2011.

My review was made in accordance with Canadian generally accepted standards for review engagements and accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to me by the Ministry.

A review does not constitute an audit and, consequently, I do not express an audit opinion on the performance measures. Further, my review was not designed to assess the relevance and sufficiency of the reviewed performance measures in demonstrating Ministry progress towards the related goals.

Based on my review, nothing has come to my attention that causes me to believe that the "Reviewed by Auditor General" performance measures in the Ministry's 2011-12 Annual Report are not, in all material respects, presented in accordance with the criteria of reliability, understandability, comparability, and completeness as described above.

[Original signed by Merwan N. Saher, FCA]

Auditor General

May 15, 2012

Edmonton, Alberta

Performance measures reviewed by the Auditor General are noted with an asterisk (*) on the Performance Measures Summary Table

2011-12 Performance Measures Summary

Goals and Performance Measures	Prior Years' Results				Target	Actual
	2007-08	2008-09	2009-10	2010-11	2011-12	2011-12
Goal 1: *Enhanced viability, long-term sustainability, and accountability of municipalities and their communities.*						
Measure 1.a: Albertans' satisfaction with their local governments – percentage satisfied.[◊]	73%	73%	64%	72%	80%	77%
Measure 1.b: Percentage of municipal assessment rolls that meet provincial standards for procedures, uniformity and equity.*	95%	94%	97%	99%	98%	99%
Measure 1.c: Percentage of municipalities meeting Ministry's criteria of financial accountability as established in the *Municipal Government Act*.	98%	98%	97%	98%	98%	98%
Goal 2: *Enhanced vitality of Alberta communities by providing services and resources to public libraries and francophones.****						
Measure 2.a: Usage of public library services by Albertan households.	62%	63%	67%	63%	70%	62%
Goal 3: *Fair and timely responses on matters before the Municipal Government Board as set out in the Municipal Government Act and related regulations.*						
Measure 3.a: Percentage of parties who appear before the Municipal Government Board who are satisfied or neutral regarding the board's services and processes.*	84%	86%	87%	86%	80%	88%
Goal 4: *Albertans' safety, health, conservation and environmental priorities are addressed through a collaborative community-focused safety codes system.*						
Measure 4.a: Percentage of assessed accredited municipal entities, corporations, agencies and delegated administrative organizations administering the *Safety Codes Act* that achieve a satisfactory rating.	95%	97%	95%	97%	98%	98%
Measure 4.b: Tank Site Remediation Program – cumulative number of sites remediated.	754	816	854	865	903	886

*** As part of a Government of Alberta reorganization on October 12, 2011, the Francophone Secretariat was transferred to the Ministry of Intergovernmental, International and Aboriginal Relations and will be reported in that Ministry's annual report.

* Indicates Performance Measures that have been reviewed by the Office of the Auditor General. The performance measures indicated with an asterisk were selected for review by ministry management based on the following criteria established by government:

- Enduring measures that best represent the goal and mandated initiatives,
- Measures for which new data is available, and
- Measures that have well established methodology.

◊ Indicates this measure was included in *Measuring Up 2011-12* under goal 3. Data for this measure for 2011-12 was audited by the Auditor General as indicated in the Measuring Up Auditor's Report.

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Goals & Performance Measures	Prior Years' Results				Target	Actual
	2007-08	2008-09	2009-10	2010-11	2011-12	2011-12
Goal 5: *Albertans are protected from the effects of emergency events through a comprehensive emergency management system.*						
Measure 5.a: Percentage of claims where a member of the damage assessment team arrives on-site within 30 days of a claim being received.	100%	100%	100%	99.8%	100%	100%
Measure 5.b: Level of preparedness as measured by the percentage of municipalities that have conducted an emergency management exercise in the last four years.	90%	94%	91%	80.8%	94%	85%
Measure 5.c: Fire deaths per 100,000 population (10-year moving average).	1.06	1.09	0.98	0.95	(Less than or equal to the 2010-11 actual)	0.88
Housing Goal: *Low-income Albertans have access to a range of safe and affordable housing options and supports.***						
Measure: Number of affordable housing units approved for development.◊	2,591	3,036	3,327	2,005	667	1,212

** As part of a Government of Alberta reorganization on October 12, 2011, the part of the Ministry of Housing and Urban Affairs responsible for housing and the Alberta Social Housing Corporation were transferred to the Ministry of Municipal Affairs and therefore do not have a corresponding "numbered goal" for this fiscal year.

◊ Indicates this measure was included in *Measuring Up 2011-12* under goal 3. Data for this measure for 2011-12 was audited by the Auditor General as indicated in the Measuring Up Auditor's Report.

For more detailed information see 2011-12 Performance Measures Source and Methodology – Data Source and Methodology section (pages 17 to 23).

2011-12 Performance Measures Source and Methodology – Data Source and Methodology

Goal 1: Enhanced viability, long-term sustainability, and accountability of municipalities and their communities

1. a) Albertans' satisfaction with their local governments – percentage satisfied

Data Source: The data for this measure is gathered as part of a nine question telephone survey about Albertans' satisfaction with various aspects of their municipal governments. The results of the survey are based on a probability sample of 1,000 adults living in Alberta. A sample of 1,000 persons within the population produces results that are reliable within plus or minus 3.6 per cent 19 times out of 20. The sampling method was designed to complete 1,000 interviews within randomly selected households across the Province of Alberta. The sample was drawn in proportion to the populations of 16 urban centres, which included the cities of Edmonton and Calgary, and two rural regions within the province based on information from Statistics Canada 2006 data.

From within each multi-person household randomly selected, residents 18 years of age and older were screened for random selection using the "Most Recent Birthday" method. The contractor's report provides a detailed sampling methodology. Survey data, beyond what is in the final report, is stored with the contractor.

Methodology: The satisfaction survey data for the measure is drawn from a question which asks a sample of 1,000 Albertans about their overall satisfaction with their municipal government. The results are reported directly from the survey report; Alberta Municipal Affairs only performs or confirms the addition of the "very satisfied" and the "somewhat satisfied" categories to produce the overall satisfaction.

The survey is conducted in the early fall of each year. For 2011-12, the survey was run from November 18 to December 5, 2011.

1. b) Percentage of municipal assessment rolls that meet provincial standards for procedures, uniformity and equity

Data Source: By no later than February 28 of each year, all municipalities are required by the Alberta Assessment Quality Minister's Guidelines to submit assessment and sales data. Most municipalities uploaded their data directly into the province's web based application, Assessment Shared Services Environment (ASSET), through their Computer Assisted Mass Appraisal systems. Examples of the type of information submitted include the assessed value, the sale price for sold properties, legal descriptions and property characteristics.

The calculation of median assessment ratios and assessment levels are part of stage one of the annual audit. The annual audit program is an important tool in measuring mass appraisal performance. Through assessment to sales ratio studies, the Assessment Audit Unit compares municipal assessments to market value indicators and verifies whether municipal assessments meet regulated quality standards. Because of the assessment audit cycle, the data upon which the 2011-12 measure is based reflects values and inventory from the 2010 assessment year. The fiscal year for municipalities is the calendar year.

Methodology: Under the Matters Relating to Assessment and Taxation Regulation, the quality standard specifies that the acceptable range for median assessment ratios is between 0.95 and 1.05.

The ASSET system calculates ratios of assessment to market value (sale price or indicator of market value) for sold properties in each value range/property type in the two property classes (residential and non-residential). The sub-grouping or stratification of the two classes is based on assessment value and property type.

The median assessment to sales ratio is calculated for each value range/property type stratum. Each median is then weighted by its respective total assessed value for that strata and a weighted median is calculated for each of the two classes. The percentage of municipalities whose assessment levels fall within the acceptable range for each class is determined. The performance measure is the average of these two percentages.

1. c) *Percentage of municipalities meeting Ministry's criteria of financial accountability as established in the Municipal Government Act (MGA)*

Data Source: The data used to calculate this measure comes primarily from the annual audited financial statements and the financial information returns which municipalities must submit to the Minister by May 1 for each year, pursuant to the *MGA*.

Local Government Services Division staff prepare the data, complete the required calculations and supply the supplementary information used for this measure. The information is collected for administrative purposes, as well as for tabulating the measure.

The data used to calculate this measure is reported based upon a calendar year, which is the fiscal year for municipalities. The results reported in this measure are from the calendar year prior to the fiscal year in which they are reported (e.g., for 2011-12 annual reporting, Municipal Affairs reports municipal results from the 2010 calendar year). Financial data is stored in the Municipal Financial Information System.

Methodology: The required data sets are extracted from the Municipal Financial Information System using Microsoft Access and are compiled in an Excel™ spreadsheet. Point scores are calculated using Excel™ formulas where possible. Points for section 282 of the *MGA* must be entered manually as would supplementary information regarding debt limit extensions and deficit recovery extensions. Supplementary information related to section 252 is entered manually into the Excel™ spreadsheet as required.

The measure is calculated based on a demerit point system weighting the criteria as set out in sections 252, 278 and 282 of the *MGA*. Municipalities meeting or exceeding 100 points are considered to be outside of the criteria for achieving financial accountability. The scoring system serves as a proxy measure. Scores of 100 points or more would be a solid indicator of an accountability problem and, if continued, would likely indicate a loss of financial sustainability.

Public sector accounting standards require that, beginning in 2009, municipal financial statements report using the net assets (debt) presentation model. Fund accounting is no longer used for reporting purposes, and financial reporting is now expense-based rather than expenditure-based. Tangible capital assets are now recorded and amortization is included as an expense.

Section 244 is no longer relevant given the accounting standards in place for the 2009 annual audited financial statements. Because of this, the data collected from municipalities for 2009 is not directly comparable to prior year's data. The underlying accounting processes have changed and consequently there is no way to produce or to estimate comparable data.

The *MGA* will be updated in future to more accurately reflect the accounting standards. The Municipal Finance Clarification Regulation was enacted as a transitional measure, and section 4 of the regulation provides a more appropriate measure of "deficiency" in the new environment. It can be found on the Queen's Printer website: **www.qp.alberta.ca/574.cfm?page=2010_191.cfm&leg_type=Regs&isbncln=9780779754465**

Goal 2: Enhanced vitality of Alberta communities by providing services and resources to public libraries and francophones

2. a) Usage of public library services by Albertan households

Data Source: *Alberta Culture and Community Services – 2012 Survey of Albertans on Culture,* performed by Leger Marketing, Edmonton, February 2012.

Methodology: A telephone survey of Albertans is coordinated annually by Alberta Culture and Community Services on the subject of culture. The survey provides insight into emerging trends, helps monitor the effectiveness of programs and services and informs decisions by enhancing understanding of the cultural needs of Albertans.

The survey is comprised of 1,000 randomly selected interviews with Albertans that are 18 years or older. The sample distribution is on the basis of region, gender and age to represent Alberta demographics and population density.

Goal 3: Fair and timely responses on matters before the Municipal Government Board as set out in the *Municipal Government Act* and related regulations

3. a) Percentage of parties who appear before the Municipal Government Board who are satisfied or neutral regarding the board's services and processes

Data Source: A client satisfaction survey was conducted by Resinnova and the hearing participant information provided from the Case Inc. database of the Municipal Government Board (MGB).

Methodology: MGB staff designed database queries for the purpose of identifying all participants who attended MGB hearings. The staff ran queries listing all appellants, respondents and interveners that were attached to the hearings. Staff generated manual lists for attendees at annexations and subdivision hearings. Staff then found email addresses or phone numbers for all parties and forwarded the list to Resinnova.

The methodology followed in conducting the survey and preparing the survey results is described in the consultant's final report.

The satisfaction scale used in the report is a five-point, anchored satisfaction scale (strongly agree, somewhat agree, neither agree nor disagree, somewhat disagree, strongly disagree).

Goal 4: Albertans' safety, health, conservation and environmental priorities are addressed through a collaborative community-focused safety codes system

4. a) Percentage of assessed accredited municipal entities, corporations, agencies and delegated administrative organizations administering the Safety Codes Act that achieve a satisfactory rating

Data Source: The accredited organizations scheduled to be monitored for the year are assessed in their administration of the safety system throughout the year using a series of checklists. There has been no change in data collection methods used for accredited municipalities, corporations, authorized accredited agencies and DAOs. The municipal and corporate checklist questions have been updated to reflect the current Quality Management Plans.

Methodology: A benchmark of 70 per cent has been adopted as a satisfactory rating. This has not changed from previous years. The percentage of overall scores is computed for accredited municipal entities, corporations, agencies and delegated administrative organizations. This percentage is then weighted by the number of organizations assessed to produce the key performance statistic.

Previously, the assessments included in the measure were conducted over the period of the fiscal year. Beginning in 2010 reporting was moved to a calendar year. Assessments which would previously have been conducted between April 1, 2011 and March 31, 2012 were conducted between January 1 and December 31, 2011.

Accredited municipalities and corporations

Accredited municipalities and corporations are assessed at least once every three years on a rotating schedule, which is revised annually as entities' accreditation status changes. The files selected are from files closed in a recent 12 month period preceding a monitoring field visit. During the year, data is gathered by designated department staff for accredited municipalities and corporations and a score is computed for each completed checklist. The checklist scores for the Quality Management Plans (QMPs) for each discipline administered by an organization are then averaged to produce an overall score for that organization.

Each year, the schedule for monitoring accredited municipalities and corporations is determined as follows:

1) start with the prescribed one-third list;
2) add all those accredited entities from the previous year that scored less than satisfactory;
3) add municipal entities and corporations newly accredited in the previous year to the year's prescribed one-third list;
4) remove accredited entities that dissolved or discontinued their accreditations from the list;
5) where justified, remove organizations that request their monitoring to be postponed until the next year from the list; and
6) remove accredited corporations that have not engaged in activities that fall under the *Safety Codes Act* (these are carried forward until the corporation resumes activity).

Delegated Administrative Organizations (DAOs) and Authorized Accredited Agencies

All three DAOs (Alberta Boilers Safety Association, Alberta Elevating Devices and Amusement Rides Safety Association, and Petroleum Tank Management Association of Alberta) are formally monitored annually in the same manner as previous years. DAO liaisons provide continuous assessment, monitoring and mentoring to the organization throughout the year.

All authorized accredited agencies under contract with the department are monitored monthly, closed files are reviewed quarterly, and administrative components and performance are reported annually. Contract management staff is in continual contact with the agencies and assist them in resolving emerging issues.

4. b) Tank Site Remediation Program – cumulative number of sites remediated

Data Source: Each site is managed as a single project and information regarding progress on the site is entered into the spreadsheets. The Program Director either performs or supervises the compilation of a Monthly Status Report to recap changes in site status, which is the basis for the tabulation of the actual performance measure results. These month-end reports sort and tally sites by status which are recapped on a summary sheet and analyzed for changes from the previous month. A Performance Measure worksheet is also used.
When an environmental consultant completes work on a site, he prepares a report and certifies whether the site meets Alberta Environment and Water (AENVW) Guidelines and if further work is required.

For purposes of the Tank Site Remediation Program, a site is considered "remediated" when:

- A signed and sealed report is accepted from the Grant Recipient's Accredited Consulting Engineer, which certifies that the site is remediated in accordance with the Alberta Environment and Water's Tier I and Tier II Remediation Guidelines (as amended from time-to-time). This warrants a change in status to "Remediated" or;
- All possible active remediation has been completed on the site and the next phase is either longer term risk management or Land Farming (which is done off-site). This warrants a change in status to "REM/RMP" (Remediated/Risk Management Plan) or "REM/LF" (Remediated/Land Farm); or
- The Program has paid out the maximum grant to define the problem and advance work on the site. In these situations, AENVW will take over monitoring the management of the site, working directly with the owner and the consultant.

Methodology: Remediation Reports submitted to the Program Office by the environmental consultant are reviewed by technical program staff. When accepted, the status of the site is recorded as remediated in the appropriate program spreadsheet. A performance measure worksheet capturing the outstanding sites and current projections of when they might be remediated is maintained to project targets and confirm the actual number of sites remediated each year, which is added to the previous year cumulative actual. Staff update this worksheet with actual results and provide the Program Director with copies of relevant pages of the consultant report to support the status change. The total of "remediated" sites per this report is compared and reconciled to the total remediated sites in the monthly status report.

Goal 5: Albertans are protected from the effects of emergency events through a comprehensive emergency management system

5. a) *Percentage of claims where a member of the damage assessment team arrives on-site within 30 days of a claim being received*

Data Source: Separate files are maintained for each application within each program. Information contained in these files is entered into a Microsoft Access disaster recovery database that tracks all applications received and activities related to the processing of each application made under a Disaster Recovery Program.

Methodology: The database is used to identify the number of disaster recovery applications and the number of those applications where the evaluator arrived on the site within 30 days of receipt of the application. Receipt of application is the day the application is stamped as received at the program office. Where there is an issue of eligibility and additional investigation and supporting documentation are required, the date the applicant is contacted and additional documentation is requested is the date used to measure the length of time it takes for an evaluation to be made.

The measurement period is the fiscal year from April 1, 2011 to March 31, 2012.

Eligible applications are those that fall within the parameters of the program approval document authorized by the Minister. The applications are collected in a separate database established for each Disaster Recovery Program. The database records all dates pertinent to the administration of the program and can be queried at any time. A query is done on the database to identify all applications received within the measurement period and their corresponding evaluation date. The performance measure is calculated as a simple percentage: the number of applications that satisfy the 30-day criterion divided by the total number of applications.

5. b) Level of preparedness as measured by the percentage of municipalities that have conducted an emergency management exercise in the last four years

Data Source: The compilation of quarterly data submitted by the seven field officers in field operations at the Alberta Emergency Management Agency. The cumulative fourth quarter report is used to extract the actual number of municipalities that have exercised their plans in the current year either through a coordinated exercise or an actual event.

Methodology: A schedule is established for all municipalities to be exercised at least once every four fiscal years. All real events where the municipal emergency plan was exercised are included, when and as they happen, replacing the scheduled exercise in the calculation. All field officers compile and submit quarterly reports to the Director of Field Operations who maintains a four-year cumulative report for the current exercise window. This information is used to verify the required exercises or events for the municipality. If an exercise is a repeat, it is not included in the measure. Once the current four-year cumulative report by region is updated, a simple sum of the seven regions is calculated, which is divided by the total number of municipalities to produce a cumulative percentage.

This is a Microsoft Access database managed internally to allow for continuous improvement for tracking and security of information. Reports are generated from this database to identify the municipalities that exercised their plans during the fiscal four-year period.

5. c) Fire deaths per 100,000 population (10-year moving average)

Data Source: Section 9 of the Administrative Items Regulation AR 16/2004 under the *Safety Codes Act*, requires that a Safety Codes Officer for the fire discipline who investigates the causes and circumstances of a fire must, immediately notify the Fire Commissioner if the fire has resulted in loss of life. Additional sources of information on fire deaths are: insurance companies/adjusters, Medical Examiner's Office and police departments. The total number of fire deaths is revised as information is received from these sources. Alberta Official Population data is obtained from: **www.municipalaffairs.alberta.ca/mc_official_populations.cfm**

Methodology: In 2011-12, continual improvements were made to the web-based application called the Fire Electronic Reporting System (FERS) to enable fire departments and insurance professionals to input fire incident data online. The Fire Statistics Reporting Manual and fire incident reports (PDF format) are also posted on the Office of the Fire Commissioner website to enable reporting agencies easy online access to fire reporting.

The data is collected in either hard copy or electronically through FERS. Data from the hard copies is entered into the system and validated. Then the fire death figures are extracted using a SAS software program and manually entered into an Excel spreadsheet. Alberta population figures are then entered into the Excel spreadsheet to calculate the fire death rates, which are plotted in a bar-chart as 10-year moving averages. The data and the measure relate to a calendar year, which is consistent with reports produced by Statistics Canada and other jurisdictions, enabling comparisons.

The formula for the fire death rate for each year is as follows:

$$\left(\frac{\text{Revised number of fire deaths per year}}{\text{Population}} \right) \times 100{,}000$$

The fire death rate for the current year and each of the preceding nine years are averaged to produce the 10-year moving average statistic.

Housing Goal: Low-income Albertans have access to a range of safe and affordable housing options and supports

Performance Measure: Number of affordable housing units approved for development

Data Source: Data for this measure was maintained by Housing Division. Numbers are accrued and reported when the affordable housing units and related capital funds are approved for development by the Minister of Municipal Affairs and updated housing plans received from grant recipients.

Methodology: This measure is comprised of the total affordable housing units approved for development from a variety of housing programs.

The 2011-12 calculation of 1,212 units is based on total affordable housing units approved for development with capital funding support ($120 million) from the Housing Capital Initiatives Request for Proposals (RFP) funding.

The 2010-11 revised results of 2,005 units are based on total affordable housing units approved for development with capital funding support ($188 million) from the Housing Capital Initiatives Request for Proposals (RFP) funding.

The 2009-10 revised results of 3,327 units are based on total affordable housing units approved for development with Affordable Housing RFP funding ($90 million), Housing for the Homeless RFP funding ($100 million), and Affordable Housing Municipal Block Funding ($100 million) for combined funding of $290 million. The results do not include rent supplement units supported with block funding.

The 2008-09 revised results of 3,036 units are based on total affordable housing units approved for development with Affordable Housing RFP funding ($142 million), Regional Municipality of Wood Buffalo funding ($45 million), and Affordable Housing Municipal Block Funding ($112 million) for combined funding of $299 million. The figures do not include rent supplement units supported with block funding.

The 2007-08 results of 2,591 units are based on total affordable housing units approved for development with Affordable Housing RFP funding ($68 million), Regional Municipality of Wood Buffalo funding ($45 million), and Affordable Housing Municipal Block Funding ($145 million) for combined funding of $258 million. The figures do not include rent supplement units supported with block funding.

This presentation is based on the most recent information available. The results are updated when new information becomes available. This updated presentation is based on approved or updated housing plans as at March 31, 2012.

Discussion and Analysis of Results

Goal 1: Enhanced viability, long-term sustainability, and accountability of municipalities and their communities

Municipal Sustainability Initiative

The Municipal Sustainability Initiative (MSI) is Alberta's commitment to provide significant long-term funding to enhance municipal sustainability and to enable municipalities to meet the demands of growth. Under this initiative, municipalities received $886 million in provincial funding in 2011-12.

Capital Funding – In 2011-12, the Ministry provided $838.1 million in MSI capital funding. A total of 705 MSI capital projects were accepted by the Minister. The MSI funding will be used for municipal roadways, bridges and related facilities (53 per cent); other municipal infrastructure (16 per cent); recreation, parks, sports and community facilities (15 per cent); water, wastewater and related facilities (10 per cent); and public transit vehicles and facilities (six per cent).

Examples of MSI capital funding projects accepted in 2011-12 include the City of Edmonton's application to purchase land and construct highway connector links at various locations, Rocky View County's application to construct the Bearspaw Fire Hall and purchase firefighting equipment, and the Town of Bonnyville's application to construct a wastewater lift station in the Gateway Industrial Park Subdivision.

Previously accepted MSI projects under way in 2011-12 included the City of Calgary's project to construct public works facilities, the Municipal District of Opportunity's project to build the Calling Lake Multiplex Community Centre, and the Village of Ferintosh's project to replace sections of water distribution lines.

Operating funding – The Ministry provided $47.9 million in MSI conditional operating funding to assist municipalities in providing needed services in their communities. A total of 1,019 MSI operating projects were accepted by the Minister. These funds support municipal services (73 per cent); capacity building (11 per cent); planning activities (eight per cent); and assistance to non-profit organizations (eight per cent).

Many municipalities use their MSI operating funding for projects that enhance their long-term sustainability. For example, the Town of Bashaw is supporting the operating costs of a local clinic as part of a physician retention initiative, the County of Grande Prairie is supporting its contracted fire services from the City of Grande Prairie, the County of Vermilion River is partnering with the City of Lloydminster to update its intermunicipal development plan, and the Town of Raymond is supporting its requisition to the Oldman River Regional Services Commission.

Review of Municipal Sustainability Initiative

In November 2011, Municipal Affairs began work with Treasury Board and Enterprise, and Finance, to establish minimum three-year funding cycles for municipalities, and review and assess the Municipal Sustainability Initiative. The goal is to provide greater funding predictability to municipalities and to respond to municipal funding needs within the framework of a minimum three-year funding cycle.

Capital and operating components of the Municipal Sustainability Initiative have been reviewed with two primary objectives: to increase the program's flexibility so that municipalities are better able to direct funding to local priorities, and to implement more efficient application processes with a goal of

maintaining appropriate accountability. Changes were made to both components in 2012 that broaden the scope of eligible projects and reduce documentation requirements for project applications.

The review included discussions with the Alberta Urban Municipalities Association, the Alberta Association of Municipal Districts and Counties, the Local Government Administration Association, and the Alberta Rural Municipal Administrators' Association. Input was also received from Calgary and Edmonton, and the Métis Settlements General Council.

Municipal Sustainability Strategy

A draft Municipal Sustainability Strategy was released in November 2010, consultation occurred, feedback was reviewed, and the strategy has been finalized and is proceeding through government approval processes. The Ministry is developing a plan and preparing legislative amendments to support the implementation of the strategy.

The Municipal Sustainability Strategy was developed by a working group composed of representatives from Municipal Affairs, the Alberta Urban Municipalities Association, the Alberta Association of Municipal Districts and Counties, the Local Government Administration Association, the Alberta Rural Municipal Administrators' Association, and the Association of Summer Villages of Alberta. The Municipal Sustainability Strategy is set out in the working group's report, *Building on Strength: A Proposal for Municipal Sustainability for Alberta*. It includes a self-assessment toolkit for municipalities and an inventory of resources to assist in promoting sustainable governance. The strategy encourages municipalities to engage their communities in addressing issues related to local sustainability, and outlines ways to increase collaboration among different levels of government with the help of a new, transparent viability review process.

Supporting the Capital Region Board and the Calgary Regional Partnership

The Ministry remains supportive of long-range planning activities of municipalities in the Capital and Calgary regions, and regards the Capital Region Board and Calgary Regional Partnership as valuable forums for identification and resolution of growth-related challenges that cross multiple municipal boundaries.

In 2011-12, the Ministry provided $3 million in funding to the Capital Region Board for operational support. This board was established in April 2008 and its 24 member municipalities worked together to develop a long-term plan for future growth in the Capital Region.

In 2012, the Ministry also provided $3 million to the Calgary Regional Partnership for operational support and continued work on its regional land-use plan. The Calgary Regional Partnership is a voluntary organization of municipalities in the Calgary region which has been working to refine the Calgary Metropolitan Plan with a view to feedback provided following a cross-ministry review of the plan.

Support for Implementation of the Land-use Framework

Municipal Affairs continues to assist with the implementation of the province's Land-use Framework. In 2011-12, the Ministry worked with the Land-Use Secretariat and a cross-ministry planning team in preparing the updated draft of the regional plan for the Lower Athabasca region and participated in the planning to consult with stakeholders and Albertans on the advice provided by the South Saskatchewan Regional Advisory Council for the development of a land-use plan.

Municipal Affairs participates in cross-ministry initiatives on the efficient use of land, fragmentation and conversion of agricultural land, and other initiatives related to the Land-use Framework.

Regional Collaboration Program

In 2011-12, the Regional Collaboration Program provided $29.6 million to improve the viability and long-term sustainability of municipalities by supporting regional collaboration and capacity building. Funding is allocated under four program components:

Regional Collaboration – Numerous regional approaches to municipal service delivery and governance were supported, including: regional governance frameworks; enhancing regional emergency, policing and bylaw enforcement services; land-use planning and recreation services.

Mediation and Co-operative Processes – The Ministry provided support to build and improve relations within and between municipalities and to resolve intermunicipal and regional issues. Funding was approved to help determine four intermunicipal disputes and to assist with four collaborative governance initiatives.

Municipal Internship – The Ministry provided support to municipalities and planning service agencies to recruit, train, and retain skilled municipal employees. A number of municipalities worked out partnering arrangements to jointly host an intern. In 2011-12, 23 municipalities and three planning service agencies benefited from grant funding to help cover the costs of hosting 12 administrator interns and eight land-use planner interns. Grant funding was also provided to 11 municipalities to help with the costs of hosting an administrator intern for an optional second year.

Strategic Initiatives – Municipal Affairs provided support for initiatives that address critical municipal or intermunicipal special needs or circumstances of strategic significance. For example, grant funding was provided under this component of the program toward developing potable water infrastructure, assisting municipalities to address the impacts of erosion, and core operating costs of the Capital Region Board and the Calgary Regional Partnership.

Grants in Place of Taxes

Municipal Affairs provided $48.4 million to municipalities through its Grants in Place of Taxes Program. These grants are provided to municipalities for the property taxes that would be recoverable on Crown property if it were not exempt from taxation, and the municipal portion of property taxes on specified non-profit, unsubsidized, self-contained seniors' accommodations. Examples of exempt properties include provincial buildings, court houses, correctional institutions and remand centres.

Re-Engineering Initiative on Municipal Grants/Accountability Framework

In 2011, in response to a client survey, revisions were made to the Municipal Grants Web Portal, a public website that serves as a common front-counter for information on all provincial and joint provincial-federal grant programs to municipalities.

Grant funding reports were also prepared for all municipalities, Métis Settlements, regional services commissions, and constituencies in Alberta. These reports provide easy and transparent access to grant funding information and are available through the web portal.

Municipal Restructuring

In 2011-12, the Ministry completed a dissolution study for one municipality, a process in which a municipality explores the possibility of becoming part of a bordering municipality. The Town of Granum maintained its status as a result of a public vote and did not dissolve to become a hamlet in the neighbouring municipal district. The Ministry also facilitated the renaming of the County of Newell No. 4 to the County of Newell, as well as the formation of Improvement District No. 349 from lands separated from Lac La Biche County and the Regional Municipality of Wood Buffalo.

Recognizing Municipal Excellence

In its tenth year, the Minister's Awards for Municipal Excellence were presented in five categories:

- **Outstanding Achievement** – Regional Municipality of Wood Buffalo for the Archie Simpson Arena synthetic ice rink in the hamlet of Fort Chipewyan;
- **Innovation** – Camrose County for its wood biomass heat/sustainable and renewable wood energy project;
- **Partnership** – the Municipal District of Foothills and the Town of High River for their participation in a project to improve access to medical services in the High River area, resulting in the construction of the Charles Clark Medical Centre;
- **Smaller Municipalities** – the Villages of Marwayne, Kitscoty, Dewberry, Paradise Valley and Mannville for their regional water/wastewater operator consortium; and
- **Safe Communities** – the Town of Cardston, Cardston County, City of Lethbridge, and towns of Coaldale, Fort Macleod, Magrath, Pincher Creek, Raymond, and other community and government organizations for their community road safety and bicycle rodeo coalition.

Municipal Excellence Resource Library

In 2011-12, the Municipal Excellence Resource Library, housed on the Ministry's website at **https://ext.sp.mah.gov.ab.ca/EXT/MeNet/default.aspx**, was updated to include 2011 policies and bylaws. This online resource contains more than 600 municipal practices, bylaws, and policies that can be reviewed and used by municipalities for information sharing and to adopt or adapt leading practices to meet local needs.

Brownfield Redevelopment Working Group

Formed in May 2011 as a joint initiative between the ministries of Municipal Affairs and Environment and Water, a Brownfield Redevelopment Working Group has been working to develop recommendations to facilitate the redevelopment of brownfield sites to productive community use. In general terms, brownfields are abandoned, vacant or underutilized properties (such as former gas stations) where past actions may have resulted in actual or perceived contamination, but where there is active potential for reuse or redevelopment of the sites.

Abandoned Oil and Gas Wells

Municipal Affairs has been working with the Ministry of Energy and the Energy Resources Conservation Board to address matters related to the protection of health and safety and assurance for developers, municipalities and homeowners that abandoned wells are appropriately accommodated during future surface development, including required setbacks.

Contributions to Other Cross-ministry Initiatives

Municipal Affairs continued to support several cross-ministry committees and initiatives on matters ranging from energy development, to transportation systems, to the environment (including Alberta's Water for Life and Clean Air strategies). The Ministry helped with funding for initiatives that will assist municipal decision-makers, such as a project to compile best practices for management and development in areas situated along, or near, the banks of rivers.

The Ministry also provides support to oil sands communities and to several cross-ministry initiatives in the Athabasca, Cold Lake and Peace River oil sands regions, and participates in projects to advance the province's 20-year strategic plan for Alberta's oil sands *(Responsible Actions: A Plan for Alberta's Oil Sands)*.

Advice and Assistance for Municipalities

Ministry staff continued to work with, and provide advice to, municipalities, residents and stakeholders in the areas of finance, governance, administration, property assessment, land-use planning, municipal restructuring and dispute resolution. Staff continued to provide advice to elected/appointed officials and other Albertans by phone, correspondence, handbooks, publications, the internet, and participation in meetings and conferences. Other examples include:

- Providing training for municipal officials on roles and responsibilities of councillors and administrators; on minutes, policies, and bylaws (for administrators); and on tax recovery (for tax clerks). A total of nine training sessions were attended by 250 individuals.
- Completing inspections on matters related to the management, administration or operation of five municipalities.
- In response to requests from municipalities, providing four training sessions on subdivision and development appeal boards and municipal planning commissions.
- Facilitating the establishment of four regional services commissions that provide regional emergency, transit and water services to 21 municipalities.
- Issuing the 2011 Municipal Affairs Population List, which shows the population figures of municipalities and Métis Settlements as of September 1, 2011.
- Taking on the responsibility for municipal census training and the Municipal Census Training Manual, which provides guidelines to municipalities and Métis Settlements that wish to conduct a municipal census. For 2011-12, these roles were transferred from the Ministry of Finance to Municipal Affairs.
- In partnership with municipalities, offering 13 educational workshops on alternative dispute resolution to municipal officials and community leaders.
- Updating the Public Input Toolkit and workshop to include a section on digital engagement (social media), and piloted the toolkit and workshop. This toolkit provides specific tools and strategies for small- to medium-sized municipalities wishing to engage with the public.

Legislative Reviews

As the Ministry responsible for the *Municipal Government Act* and its associated regulations, Municipal Affairs reviews and updates the legislation as required. In 2011-12, this included a review of options to increase transparency in the utility billing process, advanced planning for reviews of two key pieces of municipal legislation, and intergovernmental discussions leading to interim amendments to the Lloydminster Charter.

Franchise Fees and Local Access Fees: The Ministry reviewed a number of options with key stakeholders that would lead to greater transparency and clarity in the utility billing process in relation to franchise fees and local access fees. In the option approved, municipalities would retain the right to set the rates for franchise fees and local access fees, but would be required to show the revenues derived from these fees in their annual financial statements, separately from other revenues. The Ministry is drafting amendments to include this requirement in the Supplementary Accounting Principles and Standards Regulation.

The Ministry also consulted with Alberta Energy, which has advised that it will review the Billing Regulation and the Natural Gas Billing Regulation to consider amendments that would require monthly utility billings to identify, for the information of the consumer, the municipality benefitting from the franchise fee or local access fee.

Lloydminster Charter: Intergovernmental consultation with the Saskatchewan ministries of Municipal Affairs and Education, and the City of Lloydminster, led to the approval of complementary Orders in Council on November 24, 2011, by the Alberta and Saskatchewan governments. The orders

enable the city to raise a local levy for city-wide educational programming, and to adopt a four-year term for municipal elections pursuant to recent amendments to the *Local Government Election Act* (Saskatchewan). An interprovincial review of the Lloydminster Charter is in its final stages and a draft is being prepared for a new charter for the city.

Local Authorities Election Act: Ministry staff have begun the necessary planning, data collection, research, and analysis work in support of a planned review of the *Local Authorities Election Act*.

Municipal Government Act: Progress has been made on the internal planning, data collection, research and analysis required to support a review of the *Municipal Government Act*. A detailed plan is being developed, which will include project milestones, deliverables, and a comprehensive process for stakeholder engagement. The overall review is anticipated to take approximately four years. The process will give all interested parties the opportunity to provide input – including municipal officials, municipal associations, private businesses and industry, and Albertans.

Standards for Assessment Quality

As part of the Ministry's process to review the assessment information reported to the department by each municipality, the following activities took place:

- Conducted annual assessment audits on all municipalities in Alberta. This process involves the completion of ratio studies and other statistical analysis for all municipalities to ensure compliance with legislated provincial quality standards and, where required, recommending remedial actions.
- Conducted detailed assessment audits of 19 municipalities. A detailed audit combines results-oriented ratio studies with a review of procedures for conformity with applicable legal requirements and generally accepted assessment practices. Recommendations are made in areas of legislative compliance and assessment industry best practices, and a follow-up review takes place to ensure recommendations are addressed.
- Conducted extensive reviews of the valuation of 155 Crown properties, which included reviews of 47 new Crown properties. Crown-owned property is reviewed annually for the purposes of the payment of grants in place of taxes.
- Managed the Assessment Shared Services Environment (ASSET) system, which is used to analyze the annually reported property assessment values of municipalities to determine if the values meet legislated quality standards. ASSET also enables the province to use the reported assessment values in preparing the annual equalized assessments for each municipality. The equalized assessments are then used for tax requisitioning purposes such as education tax.

Assessment of Linear Property

The Ministry prepared the linear property assessments of 1,043 companies on behalf of 348 municipalities. This assessment generates about $900 million in municipal and education property tax and is based on property that includes oil and gas wells, pipelines, electric power systems, and telecommunication systems. For the 2012 tax year, the total linear property assessment was $67.4 billion, representing an increase of 6.4 per cent from 2011. This change was attributable to an overall growth in linear property (such as new wells and electric power facilities), as well as increases in the assessed value of existing linear properties.

The Ministry also responded to linear assessment complaints filed with the Municipal Government Board. For the 2011 tax year, 111 complaints were filed with the Board; 84 of the complaints resulted in three Board merit hearings. One hearing resulted in an increase in the assessment, one concluded with a reduction in the assessment, and it is expected that a Board decision will be rendered on the third hearing by late spring 2012. All other complaints were either withdrawn or resolved without a Board merit hearing.

Education Property Tax Requisition

The Ministry managed the annual process of requisitioning each municipality for its share of the education property tax levy. As part of this process, growth data was collected and analyzed to determine the total provincial education requisition, and the 2012 requisitions were prepared and delivered to municipalities. The Ministry also reviewed information on supplementary assessments and taxation.

The process also included the calculation of the 2012 equalized assessments used in determining the requisitions for each municipality. The 2012 provincial equalized assessment increased by 5.5 per cent to $727.8 billion, from $689.9 billion in 2011. This overall growth in the property assessment base allowed the province to maintain the 2012 education property tax rates at 2011 levels, while generating increased education tax revenue to meet a growing requirement for school funding.

Assessment Complaints System Training

One of the key features of the new property assessment complaint system that was implemented in 2010 is the mandatory training requirement for prospective clerks and members of assessment review boards. In 2011-12, the Ministry delivered courses on the principles of assessment and administrative law in eight training sessions across the province, with new clerks and board members successfully completing the training program. Refresher courses have been developed and six pilot sessions were delivered for clerks and board members. In total, 239 participants attended the sessions. In addition, training and support resources are available on the Ministry's website.

In 2011-12, about 8,000 assessment complaints were filed to assessment review boards across the province. Decisions rendered by the boards resulted in the filing of approximately 50 reported leaves to appeal matters further to the Court of Queen's Bench. Only three requests were made by review boards for extensions to the time allowed to them to make decisions on complaints.

Advice, Assistance and Consultation on Assessment and Property Tax Matters

Ministry staff continued work with municipalities, residents and other stakeholders in a general advisory capacity, and to consult with stakeholders as needed, on assessment and property tax matters. Examples of this work in 2011-12 included:

- Providing advice to assessors, municipal officials and Albertans by phone, correspondence, publications, website, and participation in meetings and conferences.
- Training for assessment students at Lakeland College to develop knowledge and expertise on assessment practices and legislation.
- A review, in consultation with stakeholders, of the tax status for amenity properties owned by residents associations, and a subsequent amendment to the Community Organization Property Tax Exemption Regulation to provide a property tax exemption to residents associations.

Performance measure 1.a: *Albertans' satisfaction with their local governments – percentage satisfied*

Though the target (of 80 per cent) was not met, the result (77 per cent) is very close to achieving the goal established by the Municipal Affairs business plan, and continues the generally upward trend in the level of Albertans' satisfaction with their municipal governments since 2007-08. The 2011-12 survey results indicate a five percentage point increase over the 2010-11 level of satisfaction.

The survey responses do not allow for conclusive determination of the factors causing this increase. Municipalities were not only continuing to experience the same challenges from the previous year, but were having to work within the confines of a global economic recession and third consecutive provincial

deficit budget. However, it is possible that the change in composition of municipal councils at the October 2010 municipal elections and the accomplishments of these newly composed councils resulted in the public having a more favourable impression of municipal governments. Although Albertan's level of satisfaction with their municipal governments remained below the target, this combination of factors may have contributed to an improved level from 2010-11 to 2011-12.

Goal 2: Enhanced vitality of Alberta communities by providing services and resources to public libraries and francophones

Support to Public Library Service

The Ministry provided $30.5 million in funding to support public library service. This included:

- $25.5 million in operating grant funding to 225 municipal library boards and seven regional library system boards operating 312 public library service points in the province.
- $5 million in funding to support the public library resource sharing network, the public library use of the Alberta SuperNet and inter-library loan delivery systems, including funding to The Alberta Library, which represents nearly all of Alberta's public, post-secondary and government libraries, and the Alberta Public Library Electronic Network, which facilitates sharing of public library resources, access to digital licensed databases through public libraries, and supports networked initiatives.

The Ministry continued to support the Canadian National Institute for the Blind for services to print-disabled Albertans.

MLA Committee on the Future of Public Library Service

The Ministry continued to implement the recommendations from the MLA Committee on the Future of Public Library Service for Alberta report, *Framework for the Future: Positioning Alberta Libraries for the 21st Century*, which was released in April 2009. Highlights in 2011-12 include:

- Releasing a province-wide public library technology plan report, and working closely with the Alberta Public Library Electronic Network to develop an implementation plan;
- Enhancing support for electronic network resources for Albertans to access public libraries with one-time funding for digital licence purchases (including language-learning software);
- Supporting municipal library boards through the release of a public library "Standards and Best Practices" document and revitalized training on the Alberta *Libraries Act* legislation for the 232 public library boards in the province;
- Consulting with stakeholders on the direction of the Government of Alberta integrated library policy; and
- Continuing the work of the cross-ministry Assistant Deputy Minister Library Services Committee to improve collaboration, and strategic alignment between government ministries.

Performance measure 2.a: Usage of public library services by Albertan households

The target of 70 per cent was not met, with an actual result of 62 per cent.

The data used in support of the current performance measure is based upon responses to two questions posed to 1,000 adult Albertans in a scientific survey conducted by a professional private-sector market research firm. The questions are: 1) Have you or someone in your household used a public library in Alberta in the past 12 months? 2) Have you used a public library in Alberta in the past 12 months? The second question forms the basis of the previous performance measure, which was discontinued at the conclusion of the 2009-10 fiscal year. The first question forms the basis of a new performance measure that was implemented beginning April 1, 2011.

As establishing data in support of the new performance measure, the same question was asked during four previous fiscal year surveys. Albertans who had someone in their household use a public library rose significantly to 67 per cent in 2009-10, and then decreased from 67 per cent in 2009-10 to 63 per cent in 2010-11. This suggests that the results from 2009-10 may have been anomalous, for indeterminate and unidentifiable reasons.

Survey respondents with university education, and persons living in households with children were significantly more likely to report that they used a public library in the past 12 months. As well, persons born outside Canada use libraries more frequently than Canadian-born respondents.

In-person use of public libraries is only one indicator of public library use in Alberta. Statistics collected from public library boards indicate a steady increase of people using the "virtual branch" of the library online, in addition to using the physical library. This online capability through the Internet and the SuperNet (the government-sponsored broadband network), along with inter-library sharing, allows Albertans to have greater access to library materials from across the province through their local public library. This may be the result of the availability of new, more sophisticated online library catalogues, and the availability and usage of new wireless technologies to access the data. The use of networked library services – services made possible by the availability of SuperNet in public libraries – continues to grow steadily.

As part of a Government of Alberta reorganization on October 12, 2011, the Francophone Secretariat was transferred to the Ministry of Intergovernmental, International and Aboriginal Relations and will be reported in that Ministry's annual report.

Goal 3: Fair and timely responses on matters before the Municipal Government Board as set out in the *Municipal Government Act* and related regulations

Municipal Government Board Marks Two Years of the New Legislative Regime for Property Assessment Appeals

Major changes were implemented to Alberta's assessment complaints and appeals system on January 1, 2010 through an amendment to the *Municipal Government Act*. The Municipal Government Board (MGB) has completed two full years under this new legislative regime, which requires that it support local composite assessment review boards in hearing and deciding property assessment complaints.

The Municipal Government Board provides the provincial representative (Presiding Officer) on the composite assessment review boards (CARBs), joining two municipal representatives to hear complaints about the assessment of residential property with four or more dwelling units, non-residential property, and machinery and equipment. In 2011-12, the MGB provided presiding officers for 1,041 CARB hearing days involving 2,298 decisions.

The MGB continues to hear and decide on complaints about linear property assessment, equalized assessment appeals, subdivision appeals, and intermunicipal disputes, and to make recommendations on applications for annexations. A total of 108 hearings were conducted in 2011-12 on 111 linear complaints, 53 subdivision appeals, six annexation applications, two intermunicipal disputes, three pre-2010 assessment appeals and 34 preliminary/jurisdictional matters.

To accommodate the increased hearing workload for meeting the requirements of the new assessment legislation – which required that all assessment decisions must be in writing and completed within 30 days – the MGB recruited 19 new board members in 2010. An additional eight members were added in 2011. The MGB continues to provide extensive training and support to its members who are part-time members appointed by Order-in-Council.

Performance measure 3.a: *Percentage of parties who appear before the Municipal Government Board who are satisfied or neutral regarding the board's services and processes*

The actual for the year of 88 per cent exceeds the target of 80 per cent. It also is two percentage points higher than last year's actual and the standard established in the benchmark year.

The achieved result of 88 per cent may be higher due to a legislative change that dropped the requirement for surveying property assessment clients, with the exception of a few clients from the 2009 assessment year. The effect of the loss of assessment clients to survey will become clearer as future years' results are produced.

The appeal process strives for fairness, impartiality and independence. Clients who attend hearings and are directly involved in the appeal processes are deemed to be the best parties to assess the Municipal Government Board's performance. Receiving their level of satisfaction responses is seen to be the best indicator of the board's performance.

Goal 4: Albertans' safety, health, conservation and environmental priorities are addressed through a collaborative community-focused safety codes system

Home Warranty Consultations

In the summer of 2011, stakeholders were invited to participate in discussions on a proposed regulatory framework for mandatory new home warranty, which would increase consumer recourse and builder accountability in the residential construction industry. The proposed framework would help address concerns with residential construction quality.

Tank Site Remediation Program

The Tank Site Remediation Program was established to clean up eligible current or former gas station sites contaminated by leaking underground petroleum storage tanks. Effective April 1, 2009, no new applicants were accepted into the program, as program funding was fully allocated, and budgeted funds were used to continue remediation of sites already accepted into the program. The 2011-12 budget was approved with $2 million in grant funding. This enabled the department to extend grant agreements and allocate funding to continue the clean-up of approved sites. In the 2011 calendar year, an additional 21 sites were remediated, bringing the total number of sites remediated to 886.

Safety Codes Act Review

Government reviewed and gave support to a proposal to increase fines for safety codes infractions and to introduce a three year limitations period. In the fourth quarter, government began to review the proposal to implement a new governance and accountability model for the Safety Codes Council. During the year, Ministry and Safety Codes Council staff began research and analysis on options to improve accountability of partners in the safety codes system, accreditation, and the code adoption process. Approved proposals for change will guide development of amendments to the Act over the next few years.

Educating Safety Codes Practitioners

In order to support and educate safety codes inspectors, the department delivers seminars to inspectors from accredited bodies, industry and the public. This year, seminars focused on the tools available to private sewage treatment system practitioners, implementation of the 2009 Private Sewage Standard of Practice, and providing municipalities with an understanding of the model process for subdivision and development using private sewage treatment systems.

Regulatory Excellence

The Pressure Equipment Safety Regulation was amended to adopt the new American Society of Mechanical Engineers codes. The Elevating Devices Administration Regulation under the *Government Organization Act* and the Administrative Items Regulation under the *Safety Codes Act* were extended without revision.

Based on stakeholder consultations conducted in 2010, the Public Safety Division obtained approval to draft amendments that would:

- Revise the Power Engineers Regulation to accommodate identified changes and innovation in the industry; and
- Revise the Certification and Permit Regulation to require Master Electricians to take mandatory code update training.

Extensive reviews were completed on the Elevating Devices, Passenger Ropeways and Amusement Rides Permit Regulation and the Administration Regulation, resulting in proposals for clarification and some significant restructuring of the regulations.

Amusement Ride Safety Improvements

On July 16, 2010, 10 riders were injured on an amusement ride operating at the Calgary Stampede. The ride was shut down following the accident and an investigation by an independent engineering company was undertaken to determine the cause of the accident and provide recommendations that would improve safety performance. In the past year, government began implementing new administrative requirements for amusement ride owners – including a requirement for owners to obtain and have available documentation of inspections for the previous five years, including inspection reports from other jurisdictions. As well, owners must complete a checklist prior to operating their ride. Additional recommendations will be considered as part of the Amusement Rides Standards Regulation in 2012.

Community Risk Management Stakeholder Forum

In spring 2010, sessions with municipalities and residential construction industry stakeholders were held to discuss long-term concerns with and potential solutions to implementing the building and fire code changes that were adopted to make communities safer from the spread of fires. Stakeholders, including municipal planners and fire services personnel, representatives from the home building industry, developers and the Safety Codes Council, were invited to participate. The forum continued to meet throughout 2011-12, and expanded its scope to include discussions around other areas of interest such as public education related to residential construction.

Wildland Fire Investigations

The Office of the Fire Commissioner provided support to the Blood Tribe and County of Lethbridge wildland fire in November and the Municipal District of Willow Creek wildland fire in January.

Both fires resulted in significant damage to large tracts of land and building damage or destruction. Because of the extent of the damage, these communities required investigation and reporting support from the Office of the Fire Commissioner.

Grain Elevators Exemption Order

In order to help preserve an important aspect of Alberta's heritage, grain elevators that have been designated as historic sites by Alberta Culture and Community Services were exempted from the Alberta Building Code by the Minister on February 8, 2012. This exemption will be subject to a number of conditions to help ensure public safety, while allowing these historic grain elevators to be preserved for tourism and educational opportunities.

Global Leadership in Accessibility

In March 2011, the Ministry's Barrier Free Administrator represented the Government of Alberta at the World Disability Unions' inaugural General Assembly in Turkey. This conference allowed the Ministry to share its expertise on barrier-free design on the world stage.

At a Universal Design Workshop, the administrator spoke to 250 organizations representing 57 countries, about Alberta's Barrier-Free Design Guide. Universal design acknowledges that the built environment must provide for people at every stage of life – from young to old age and all ability levels. An outcome of the workshop is that seven highly accessible model homes will be built and displayed throughout Turkey to serve as templates for future development.

The Government of Alberta will continue to work with the World Disability Union on a pilot project that will develop accessibility regulations for the City of Istanbul. The goal is for this accessibility model to be adapted around the world, particularly by cities in developing countries.

Performance measure 4.b: *Tank Site Remediation Program – cumulative number of sites remediated*

The target of 903 cumulative sites remediated was not met, with an actual cumulative total of 886 sites, although the cumulative gap was reduced by 14 in 2011-12.

The number of sites remediated in a year is influenced by several factors, such as approved grant funding from the Government of Alberta, industry capacity, the complexity of the sites, and the owner's motivation to complete the work. Several sites had slower than expected progress. Some of the files for sites planned to be remediated had to be closed due to the sale of the site to an ineligible owner. The actual results for the year were also reduced for one site previously reported as "remediated" where a need for additional work was identified.

Goal 5: Albertans are protected from the effects of emergency events through a comprehensive emergency management system

Major Emergency Events

The Provincial Operations Centre (POC) monitors all actual, emerging or potential emergency situations within the province, and outside the province where there is potential to impact the citizens of Alberta. At a minimum, the POC is staffed 24/7 by a Duty Officer, an on-call Duty Manager, and an on-call Field Officer, who watch over and assist with the coordination of a provincial response to emergencies and disasters.

In the event of a more serious or complex incident, or one that will last for a protracted duration, the centre can be ramped up to a higher level of readiness with a team of emergency management professionals (from across government and including external partners and stakeholders) in order to co-ordinate a government-wide approach to managing the incident.

In 2011-12, the POC increased its level of readiness nine separate times in relation to events such as a large-volume release from a pipeline near Little Buffalo; wildfires, which impacted the Slave Lake Region and other areas of Alberta; and flooding and precipitation events which impacted both Southern and Northern Alberta.

Disaster Recovery Programs

In 2011-12, $247.6 million in assistance was provided for 13 Disaster Recovery Programs, including the Lesser Slave Lake region wildfire. These programs were launched to assist residents, small businesses and municipal governments to recover from uninsurable damage caused by disasters and severe weather events. See the special section on the Lesser Slave Lake Regional Wildfire on pages 6 and 7.

Emergency Preparedness

The Ministry facilitated the approval of 28 municipal requests, totalling $325,000 for federal Joint Emergency Preparedness Program grants. This funding is provided to communities that express interest in obtaining emergency response equipment or training, or for emergency planning and exercises.

Other emergency preparedness projects included:

- $664,486 provided to 52 regional municipalities for fire services and emergency preparedness training.
- $150,000 provided to 14 organizations for search and rescue service training.

Cross-Government Business Continuity

The Ministry, through the Alberta Emergency Management Agency, continues to consult with Government of Alberta departments to prepare, implement and maintain business continuity plans. All government ministries are legislated to participate in the cross-government business continuity program, as well as voluntary participation by six agencies, boards and commissions.

The Alberta Emergency Management Agency reviews the completeness of department business continuity plans, with each ministry being reviewed every other year. Cross-government business continuity exercises are conducted twice a year – the most recent (held November 2011) focused on an information technology outage.

The next cross-government exercise will focus on staffing challenges. The Alberta Emergency Management Agency, with the help of the Cross-Government Coordination Team, assists ministries during incidents that disrupt the government's essential services. In 2011-12 there were nine reported disruptive incidents, the most significant being the Lesser Slave Lake regional wildfire.

Fire and Emergency Services Training Initiative

The purpose of the Fire and Emergency Services Training Initiative (FESTI) is to establish clear training standards and make those standards achievable for all emergency response personnel (including career, part-time, paid and volunteer). The goal is to increase accessibility to training and improve the accountability and predictability of training outcomes through the use of competency-based performance standards.

The objective of FESTI's proposed training system is to increase training options while maintaining the quality of training for graduates. When implemented, this initiative will contribute toward overall enhanced safety, improving the public safety system and reducing liabilities for emergency response services in Alberta.

Alberta Emergency Alert

Alberta Emergency Alert was launched June 28, 2011, replacing the outdated Emergency Public Warning System. This new program uses digital technology and common standards to reach Albertans in new ways, including through social media, RSS feeds (RSS is a format used to publish frequently updated works – such as blog entries, news headlines, audio, and video – in a standardized format) and a dedicated website (**www.emergencyalert.alberta.ca**).

Throughout the summer and fall of 2011, more than 300 communities and 1,200 users were trained to use Alberta Emergency Alert. A public education campaign began in August, and included two major media events to enhance awareness of the new program. Since its launch in June:

- There have been 28 activations including 10 critical alerts (an immediate threat to life and/or safety).
- Alerts have encompassed a range of hazards including tornado/wind events, AMBER Alerts (child abduction), high water levels, wildfires, air quality and loss of 911 service.
- Over 100 media partners participate voluntarily in the program, distributing critical alerts across their air waves.

Emergency Management Stakeholders' Summit

The fourth annual Emergency Management Stakeholders' Summit was held in Calgary in November 2011. More than 270 public safety system stakeholders attended. The summit's mandate was to review current events, share interoperability strategies and develop networks to further the relationships needed for the successful operation of Alberta's emergency management systems.

The summit featured a presentation from the Mayor of Slave Lake on their response and recovery actions following the Slave Lake fires. Breakout sessions focused on wildfire/urban interface response, oil spill response, flooding, incident management teams and disaster recovery programs. Keynote speakers demonstrated the co-ordination of emergency management systems on provincial, national and international levels.

Performance measure 5.b: *Level of preparedness as measured by the percentage of municipalities that have conducted an emergency management exercise in the last four years*

Although the actual result (85 per cent) is below the target (94 per cent), it has improved over the previous year (80.8 per cent in 2010-11). An analysis based on population shows that municipalities representing 97.4 per cent of the population conducted exercises in this period, an increase of 3.1 per cent over last year (94.3 per cent).

Factors that reduced the actual results were:

- One of the seven field officers was new to his position, commencing work in his region almost two months after the beginning of the fiscal year, after the position was vacant for over one year. This meant that he was required to catch up on previous inactivity in his region. This was further exacerbated by his involvement in several significant periods of increased readiness operations (such as the Lesser Slave Lake region wildfires) outside of his region.
- Significant long-term activity such as overland flooding, wildfires and severe weather over much of the province impacted Field Operations' ability to meet targets.
- Under the *Emergency Management Act*, no municipality can be compelled to exercise. Considerable time and effort is expended to encourage municipalities to conduct exercises at the expense of these resources being applied to actual exercises.
- To underscore the factors described above, a risk management approach is applied with priority given to municipalities where the risk as represented by the hazard and the population is highest. The Ministry is, therefore, able to report that exercises were conducted in municipalities that represent more than 97 per cent of the population in the province.

Housing Goal: Low-income Albertans have access to a range of safe and affordable housing options and supports

Affordable Housing

In 2007, then Premier Ed Stelmach created a task force to recommend how to make affordable housing, both rented and owned, more available and accessible. Alberta has achieved and exceeded the five-year goal of supporting the development of 11,000 affordable housing units.

The units are dedicated for lower income individuals, families, seniors, Albertans with special needs and people who were homeless. In the past five years, 12,100 affordable housing units have been supported through a capital grants approach that leverages private dollars with taxpayers' money through partnerships with municipalities, non-profit groups and the private sector. To date, approximately 4,600 units have been built and another 3,100 units are expected to be completed by March 31, 2013. The remaining 4,400 units are in various stages of development and will be completed within the next three years.

2011-12 Housing Capital Initiatives

A total of $120.19 million, including $20.19 million in federal funding, was provided through the 2011-12 Housing Capital Initiative program to support the development of affordable housing units through an open and competitive request for proposals process, with a focus of integrating social and/or lower-income housing among several communities or neighbourhoods within any municipality.

In November 2011, the Government of Canada and the Government of Alberta announced a cost-shared investment of more than $121 million over three years under a new affordable housing agreement.

The agreement comes as a result of the Investment in Affordable Housing 2011-14 Framework Agreement between federal, provincial and territorial governments announced in July 2011.

Alberta Municipal Affairs will use the funding in one of four spending categories to design affordable housing programs that meet the specific needs and priorities within the provincial jurisdiction:

1. Increase the supply of affordable housing;
2. Improve housing affordability for vulnerable Canadians;
3. Improve and/or preserve the quality of affordable housing; or
4. Foster safe independent living.

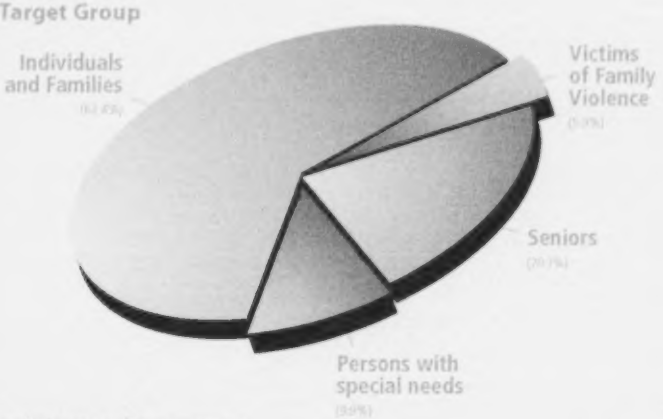
The Ministry targeted all the 2011-12 funding to increase the supply of affordable housing to communities demonstrating the need, which led to the approval for development of 1,212 units. Of these affordable housing units, 251 are dedicated to seniors, 120 to people with special needs, 769 to individuals and families and 72 for victims of family violence. Included in this split of 1,212 units are 317 units targeted towards homeless Albertans. These units will reduce the number of Albertans in need of affordable housing by approximately 2,700.

The following organizations received funding to develop affordable housing and/or housing for the homeless in 2011-12:

Organization	Community	Units	Funding Committed
Bethany Care Group	Calgary	43	$6,060,000
Age Care Health Services Inc.	Calgary	38	$3,401,479
Avanti Housing Inc.	Calgary	16	$1,566,000
Boardwalk REIT Properties Holdings Ltd.	Calgary	40	$5,659,619
Calgary Habitat for Humanity Society / Trico Homes Inc.	Calgary	100	$4,500,000
City of Calgary	Calgary	25	$3,200,000
City of Calgary	Calgary	27	$3,602,800
Digital Audit Strategies	Calgary	22	$1,915,457
Horizon Housing Society	Calgary	100	$10,736,542
Calgary Dream Centre	Calgary	60	$3,490,900
Calgary Homeless Foundation	Calgary	100	$10,813,265
Giacobbo Holdings Ltd.	Edmonton	51	$3,000,000
Greater Edmonton Foundation	Edmonton	54	$8,100,000
Leston Holdings (1980) Ltd.	Edmonton	69	$7,009,438
Jasper Place Wellness Centre	Edmonton	30	$4,313,149
Leduc Foundation	Calmar	8	$1,200,000
Fort McMurray Family Crisis Society	Fort McMurray	78	$11,700,000
677776 Alberta Ltd. (Sexsmith)	Grande Prairie	22	$2,294,912
YWCA Lethbridge and District	Lethbridge	6	$431,575
McMan Youth, Family and Community Services Association	Medicine Hat	11	$547,726
981078 Alberta Ltd.	Red Deer	33	$3,300,000
Habitat for Humanity	Rural	51	$4,573,531
Slave Lake Equities	Slave Lake	70	$6,300,000
Alpha-Anderson Joint Venture	St. Albert	78	$6,787,554
Stony Community Villas Ltd.	Stony Plain	80	$5,686,053
Total		**1,212**	**$120,190,000**

The following pie chart provides a percentage breakdown of Municipal Affairs' 2011-12 committed funding for Housing Capital Initiatives by Target Group.

Funding by Target Group



Housing Assistance Programs

Each month, more than 74,000 Albertans in need receive help with their housing costs through a rent subsidy or government-owned and supported social housing. Eligible applicants are prioritized to receive housing assistance on the basis of need, as determined by income, assets, number of dependents and current housing conditions. Highest need households typically include families with children who are living in unsafe and inappropriate housing.

Rent Support

Rent support programs provide funding to assist households in need to obtain and maintain affordable and suitable rental accommodation. In 2011-12, Municipal Affairs provided $59 million to assist more than 13,300 households through the Private Landlord Rent Supplement (PLRS) and Direct to Tenant Rent Supplement (DTRS) Programs. Under the PLRS, housing management bodies (HMB) enter into agreements directly with private landlords to provide a rent supplement that is based on the difference between market rent and the amount eligible tenants pay based upon 30 per cent of their household income. The DTRS provides subsidies directly to high-need eligible applicants based on the difference between market rent and 30 per cent of the applicant's total household income, to a maximum subsidy established by the HMB. The Department of Municipal Affairs provided a grant of $18 million to the Alberta Social Housing Corporation to support the cash flow requirements of the management bodies to manage the Rent Supplement Program.

Effective April 1, 2012, the Rent Supplement Program was transferred from the Department of Municipal Affairs to the Alberta Social Housing Corporation.

Social Housing Portfolio

The Alberta Social Housing Corporation, the largest owner of residential real estate in the province, is an entity of the Crown and provided $72 million (including debt service costs) in operating funding to support safe, secure and affordable housing for more than 24,900 social housing units. The Ministry also provided $5 million for approximately 1,600 special needs units to private non-profit and public organizations for Albertans with physical, social or mental health needs. In total, approximately 26,500 units are supported to assist Albertans, including approximately 15,100 seniors, 2,900 people with special needs and 33,200 individuals and families in community housing. The Ministry also provides advisory services to Housing Management Bodies for close to 10,000 lodge and cottage units that over 10,400 Alberta seniors call home.

Long-term Social Housing Real Estate Strategy

The Alberta Social Housing Corporation's social housing units are aging, with many over 30 years old. The Ministry is engaged in the development and implementation of a Long-term Real Estate Strategy for its social housing portfolio that takes a province-wide approach and works in partnership with communities. This strategy addresses more significant needs to update existing housing through redevelopment or replacement. Projects focus on community-based solutions achieved through partnership with housing management bodies and municipalities, which may involve leveraging partnership assets, such as land. This investment will create an improved environment for lower-income seniors to enjoy an aging-in-place lifestyle.

Through collaboration with Alberta Infrastructure and partnerships with housing management bodies and municipalities, the Government of Alberta is investing $260 million over five years from retained income of the Alberta Social Housing Corporation. In 2011-12, $48 million was approved for this initiative and was allocated to the following communities:

Community	Funding	Units
Bonnyville	$10,000,000	52
Calgary	$20,000,000	120
Fort Saskatchewan	$18,000,000	90
Total	**$48,000,000**	**262**

Housing Works

Housing Works, a two-year pilot program, was developed in partnership with Human Services in order to reduce duplication of services to clients common to both ministries. The pilot program provides necessary education, training, skills development and outreach support services for low-income Albertans living in community housing to improve employability and decrease dependencies on government resources. The desired outcomes are to improve employment status of participants, standard of living, quality of life, social inclusion and to move participants to greater independence in below-market or market housing. The Housing Works pilot program was implemented in the following five participating Housing Management Bodies in July 2011:

- Calgary Housing Company;
- Medicine Hat Community Housing Society;
- Heart River Housing;
- North Peace Housing Corporation; and
- Capital Region Housing Corporation (launched November 2011).

Stakeholder Engagement

The Ministry promotes engagement with its stakeholders to support planning initiatives and enhance the understanding of issues surrounding social and affordable housing, including:

- Representation on the Capital Region Board's Housing Committee;
- Collaboration with Housing Management Bodies and housing organizations such as the Alberta Public Housing Administrators Association and the Alberta Senior Citizen Housing Association;
- Supporting efficient and effective service delivery through voluntary consolidation of housing management bodies; and
- Initiating the development and implementation of a comprehensive provincial housing information management system.

Expense by Function

Ministry of Municipal Affairs
For the year ended March 31, 2012
(in thousands)

	2012		2011
	Budget	Actual	Actual (Restated)
Social Services	$ 77,100	$ 58,930	$ 133,587
Protection of Persons and Property	22,697	248,606	170,289
Regional Planning and Development	945,913	957,116	932,878
Recreation and Culture	32,323	31,765	32,252
Housing	185,711	202,711	260,327
General Government	47,337	48,545	45,697
Debt Servicing Costs	15,838	15,855	17,451
	$ 1,326,919	$ 1,563,528	$ 1,592,481

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**NOTE: The unaudited financial information being presented here was derived from the December 31, 2011, financial statements of each Improvement District.*

Ministry of Municipal Affairs

Consolidated Financial Statements

March 31, 2012

Auditor's Report
Consolidated Statement of Operations
Consolidated Statement of Financial Position
Consolidated Statement of Cash Flows
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Schedules to the Consolidated Financial Statements:

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2 Expenses - Directly Incurred Detailed by Object
3 Budget
4 Related Party Transactions
5 Allocated Costs

Independent Auditor's Report

AUDITOR GENERAL *Alberta*

To the Members of the Legislative Assembly

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Ministry of Municipal Affairs, which comprise the consolidated statement of financial position as at March 31, 2012, and the consolidated statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 5, 2012

Edmonton, Alberta

MINISTRY OF MUNICIPAL AFFAIRS
CONSOLIDATED STATEMENT OF OPERATIONS
Year ended March 31, 2012
(in thousands)

	2012		2011
	Budget (Schedule 3)	Actual	Actual (Restated - Note 3)
Revenues (Schedule 1)			
Transfers from the Government of Canada	$ 84,936	$ 174,750	$ 139,452
Premiums, Fees and Licences	471	5,784	5,577
Investment Income	2,025	3,415	2,721
Other Revenue	8,479	29,295	47,574
Net Income from Commercial Operations	157	-	-
	96,068	213,244	195,324
Expenses - Directly Incurred (Note 2(c) and Schedule 5)			
Program (Schedule 2)			
Ministry Support Services	19,349	15,950	17,239
Municipal and Assessment Services	27,272	21,672	21,914
Municipal Sustainability Initiative	886,000	886,000	876,000
Grants in Place of Taxes	47,337	48,545	45,197
Regional Collaboration Program	8,939	29,553	12,841
Public Safety	10,043	9,942	9,885
Alberta Emergency Management Agency	12,654	233,409	155,411
Municipal Government Board	4,353	3,942	4,884
Library Services	32,323	31,765	32,252
Housing Development and Operations	188,672	189,250	280,216
Alberta Social Housing Corporation	74,139	72,391	114,198
Safety Codes Council	-	5,254	4,993
	1,311,081	1,547,673	1,575,030
Debt Servicing			
Alberta Social Housing Corporation	15,838	15,855	17,451
	1,326,919	1,563,528	1,592,481
Net Operating Results	$ (1,230,851)	$ (1,350,284)	$ (1,397,157)

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF MUNICIPAL AFFAIRS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2012
(in thousands)

	2012	2011 (Restated - Note 3)
Assets		
Cash (Note 4)	$ 269,428	$ 272,153
Accounts Receivable (Note 5)	275,550	184,440
Portfolio Investments (Note 6)	4,135	3,717
Loans and Advances (Note 8)	7,960	7,716
Tangible Capital Assets (Note 9)	632,747	625,291
	$ 1,189,820	$ 1,093,317
Liabilities		
Accounts Payable and Accrued Liabilities	$ 757,548	$ 671,825
Accrued Interest Payable	1,984	2,072
Long-Term Debt (Note 10)	201,554	228,527
	961,086	902,424
Net Assets		
Net Assets at Beginning of Year	190,893	246,248
Net Operating Results	(1,350,284)	(1,397,157)
Net Financing Provided from General Revenues	1,388,125	1,341,802
Net Assets at End of Year	228,734	190,893
	$ 1,189,820	$ 1,093,317

Contractual obligations and contingent liabilities (Notes 11 and 12)

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF MUNICIPAL AFFAIRS
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended March 31, 2012
(in thousands)

	2012 Actual	2011 Actual (Restated - Note 3)
Operating Transactions		
Net Operating Results	$ (1,350,284)	$ (1,397,157)
Non-cash items included in Net Operating Results:		
Amortization	26,104	24,723
Grants in Kind	-	9,190
Capital Contributions in Kind	(3,770)	(18,215)
Gain on Disposal of Tangible Capital Assets	(7,054)	(6,304)
Loss on Disposal of Tangible Capital Assets	184	
Loss on Disposal of Portfolio Investments	10	10
	(1,334,810)	(1,387,753)
(Increase) Decrease in Accounts Receivable	(91,110)	55,712
Increase in Loans and Advances	(244)	(4,553)
Increase in Accounts Payable and Accrued Liabilities	85,723	43,405
Decrease in Accrued Interest Payable	(88)	(99)
Cash Applied to Operating Transactions	(1,340,529)	(1,293,288)
Capital Transactions		
Acquisition of Tangible Capital Assets	(30,164)	(8,646)
Proceeds on Disposal of Tangible Capital Assets	7,244	298
Cash Applied to Capital Transactions	(22,920)	(8,348)
Investing Transactions		
Purchase of Portfolio Investments	(608)	(647)
Sale of Portfolio Investments	180	248
Cash Applied to Investing Transactions	(428)	(399)
Financing Transactions		
Repayment of Long-Term Debt	(26,973)	(25,385)
Net Financing Provided from General Revenues	1,388,125	1,341,802
Cash Provided by Financing Transactions	1,361,152	1,316,417
(Decrease) Increase in Cash	(2,725)	14,382
Cash, Beginning of Year	272,153	257,771
Cash, End of Year	$ 269,428	$ 272,153

The accompanying notes and schedules are part of these consolidated financial statements.

MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 AUTHORITY AND PURPOSE

The Ministry of Municipal Affairs operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000. The Minister is responsible for the organizations listed in Note 2(a). The authority under which each organization operates is also disclosed in Note 2(a).

The Ministry's mission is to help ensure Albertans are served by sustainable, collaborative and accountable local governments and live in strong, safe and viable communities. Its core businesses are to support municipalities and their communities and to coordinate and support provincial safety, fire and emergency management systems.

This is done by:

- Enhancing viability, long term sustainability, and accountability of municipalities and their communities.
- Enhancing the vitality of Alberta communities by providing services and resources to public libraries.
- Providing fair and timely responses on matters before the Municipal Government Board as set out in the *Municipal Government Act* and related regulations.
- Addressing Albertans' safety, health, conservation and environmental priorities through a collaborative community-focused safety codes system.
- Protecting Albertans from the effects of emergency events through a comprehensive emergency management system.
- Providing low-income Albertans access to a range of safe and affordable housing options and supports.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The reporting entity is the Ministry of Municipal Affairs for which the Minister of Municipal Affairs is accountable. The *Government Accountability Act* defines a Ministry as including the Department and any Provincial Agency and Crown-controlled organization for which the Minister is responsible. These consolidated financial statements include the accounts of the Department of Municipal Affairs (*Government Organization Act*), the Alberta Social Housing Corporation (*Alberta Housing Act*) and the Safety Codes Council (*Safety Codes Act*).
The Ministry is also responsible for the Improvement Districts' Trust Account and Special Areas Trust Account, the activities of which are not included in these consolidated financial statements except by way of disclosure in Note 13.

The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net Financing Provided from General Revenues is the difference between all cash receipts and all cash disbursements made.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Consolidation

The accounts of the Department of Municipal Affairs, the Alberta Social Housing Corporation and the Safety Codes Council have been consolidated on a line-by-line basis. Revenue and expense, investing and financing transactions and related asset and liability balances between the consolidated entities have been eliminated.

The Safety Codes Council year end is December 31. Transactions that occurred between January 1 and March 31, 2012 did not significantly affect consolidation and have not been recorded. Where applicable, accounts of the Safety Codes Council have been adjusted to conform with accounting policies of the Ministry.

(c) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Transfers from the Government of Canada

Transfers from the Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met and a reasonable estimate of the amounts can be made. The Ministry recognizes Disaster Financial Assistance Arrangements revenue when the Government of Canada issues an Order in Council declaring the Alberta disaster to be of a concern to the Government of Canada.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Ministry has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- debt servicing costs.
- pension costs, which are the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(c) Basis of Financial Reporting (continued)

Expenses (continued)

Incurred by Others

Services contributed by other entities in support of the Ministry operations are not recognized and are disclosed in Schedule 4 and allocated to programs in Schedule 5.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Ministry are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals, as well as inventories held for resale.

Loans and advances are recorded at cost less provisions for estimated losses. Cost includes amounts advanced, accrued interest and other charges, less repayments and subsidies. Loans and advances include mortgages and advances to housing providers to address short-term cash flow needs for specified projects and operating pressures.

Assets acquired by right are not included. Tangible capital assets of the Ministry are recorded at historical cost and, except land, are amortized on a straight-line basis over the estimated useful lives of the assets. All land is capitalized. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000.

Capital contributions in kind are recorded at their fair value at the time of contribution.

When physical assets (tangible capital assets and inventories) are gifted or sold for a nominal sum, the fair values of these physical assets less any nominal proceeds or expenses incurred in the sale or disposal process are recorded as grants in kind.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Assets

Net assets represents the difference between the carrying value of assets held by the Ministry and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Ministry operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(c) Basis of Financial Reporting (continued)

Measurement Uncertainty
(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Accrued liabilities for the Disaster Recovery Program $203,415 (2011 – $113,275) as disclosed in these financial statements are subject to measurement uncertainty.

A portion of the Government of Canada accounts receivable, $175,450 (2011– $93,880) is related to Disaster Recovery Programs that meet the eligibility criteria of the Disaster Financial Assistance Arrangements. The nature of the uncertainty for the Government of Canada accounts receivable and Disaster Recovery Program accrued liabilities arises from changes in the actual disaster costs to the estimated disaster costs. These changes can be attributed to such factors as construction cost fluctuations, receipt of eligible claims, and the level of work and time required to recover from disaster events.

NOTE 3 GOVERNMENT REORGANIZATION, LOTTERY FUND INITIATIVES AND SAFETY CODES COUNCIL

(in thousands)

Government Reorganization

As a result of restructuring of government ministries announced on October 12, 2011, the Ministry of Municipal Affairs was transferred responsibility for the administration of the Alberta Social Housing Corporation (except for Parsons Creek land development), Housing Development and Operations and the related Ministry Support Services from the former Ministry of Housing and Urban Affairs (Order in Council 440/2011 and 24/2012). Responsibility for the Francophone Secretariat was transferred from the Ministry of Municipal Affairs to the Ministry of Intergovernmental, International and Aboriginal Relations (Order in Council 461/2011). Therefore, comparatives for 2011 have been restated as if the Ministry had always been assigned with its current responsibilities.

Lottery Fund Initiatives

The method of funding the eligible initiatives from the lottery and gaming proceeds was changed during the year. Previously, they were funded directly from the Lottery Fund and were included in the Ministry's revenues ($26,000). However, such proceeds are now deposited into the General Revenue Fund to finance the eligible initiatives. Financial statements for prior years have been restated as if the current arrangement had always existed.

Safety Codes Council

The financial statements of the Safety Codes Council that were previously included on a modified equity basis are now accounted for on a line-by-line consolidated basis to be in accordance with Canadian Public Sector Accounting Standards. This change has been implemented retroactively with the restatement of prior years.

NOTE 3 GOVERNMENT REORGANIZATION, LOTTERY FUND INITIATIVES AND SAFETY CODES COUNCIL (continued)

(in thousands)

Net assets on March 31, 2010 is made up as follows:

Net assets as previously reported	$ 18,536
Transfer from the former Ministry of Housing and Urban Affairs	231,659
Transfer to the Ministry of Intergovernmental, International and Aboriginal Relations	(4,634)
Safety Codes Council	687
Net assets at March 31, 2010	$ 246,248

NOTE 4 CASH

Cash includes deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term securities with a maximum term to maturity of three years. As at March 31, 2012, securities held by the CCITF have a time-weighted return of 1.3% per annum (2011 - 1.1% per annum). Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

NOTE 5 ACCOUNTS RECEIVABLE

(in thousands)

	2012			2011
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value (Restated - Note 3)
Government of Canada	$ 248,581	$	$ 248,581	$ 163,422
Housing Providers	10,696		10,696	13,099
Risk Management Insurance	12,957		12,957	5,574
Other	4,881	(1,565)	3,316	2,345
	$ 277,115	$ (1,565)	$ 275,550	$ 184,440

Accounts receivable are unsecured and non-interest bearing.

NOTE 6 PORTFOLIO INVESTMENTS

(in thousands)

	2012		2011	
	Cost	Fair Value	Cost (Restated - Note 3)	Fair Value
Interest Bearing Securities [a]				
Deposits and short-term securities	$ 338	$ 338	$ 4	$ 4
Bonds and mortgages	2,940	3,227	3,034	3,247
	3,278	3,565	3,038	3,251
Equities				
Canadian public equities	857	910	679	685
	$ 4,135	$ 4,475	$ 3,717	$ 3,936

[a] Interest bearing securities have an average effective market yield of 4% per annum.

Following is the maturity structure based on principal amount:

	2012	2011
Under 1 Year	9%	42%
1 to 5 Years	31%	21%
6 to 10 Years	50%	37%
11 to 20 Years	10%	-
	100%	100%

NOTE 7 VALUATION OF FINANCIAL ASSETS AND LIABILITIES

(in thousands)

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable (excluding disaster recovery accounts receivable), accounts payable and accrued liabilities, and accrued interest payable are estimated to approximate their carrying values because of the short-term nature of these instruments. Fair values of loans and advances are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair value with sufficient reliability.

Disaster Recovery accounts receivable $175,450 (2011 - $93,880), as included in the Government of Canada accounts receivable, is a long term financial instrument and non-interest bearing. As a result, the Ministry believes the fair value of this financial instrument to be less than its carrying value. However, due to the uncertainty as to the eventual collection or repayment date of this financial instrument, the Ministry is unable to estimate the fair value.

MINISTRY OF MUNICIPAL AFFAIRS
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 LOANS AND ADVANCES

(in thousands)

	2012			2011
	Accrual	Allowance for Losses	Net Realizable Value	Net Realizable Value (Restated - Note 3)
Rural and Native [a]	$ 1,484	$	$ 1,484	$ 2,182
Housing Providers Reserves [b]	5,128		5,128	5,128
Other	1,348		1,348	406
	$ 7,960	$	$ 7,960	$ 7,716

[a] Mortgages are provided under the Rural and Native Housing program and are repayable over an amortization period of 25 years with a five-year interest renewal term.

[b] Housing Providers are provided an advance based on the number of housing units under management in order to address short-term operating cash flow requirements during the year. These cash advances can be collected at any time at the discretion of the Minister. These funds are required to be replenished.

NOTE 9 TANGIBLE CAPITAL ASSETS

(in thousands)

	2012					2011
	Land	Buildings & Leasehold Improvements	Equipment [a]	Computer Hardware and Software	Total	Total (Restated Note 3)
Estimated useful life	Indefinite	10-50 years	5-10 years	3-5 years		
Historical Cost						
Beginning of year	$ 113,921	$ 1,112,838	$ 3,399	$ 16,808	$ 1,246,966	$ 1,225,790
Additions	1,364	6,358	25,331	881	33,934	26,861
Disposals, including write-downs	(163)	(675)		(31)	(869)	(5,685)
	$ 115,122	$ 1,118,521	$ 28,730	$ 17,658	$ 1,280,031	$ 1,246,966
Accumulated Amortization						
Beginning of year	$	$ 606,151	$ 1,699	$ 13,825	$ 621,675	$ 599,467
Amortization expense		23,462	1,276	1,366	26,104	24,723
Effect of disposals		(471)		(24)	(495)	(2,515)
	$	$ 629,142	$ 2,975	$ 15,167	$ 647,284	$ 621,675
Net book value at March 31, 2012	$ 115,122	$ 489,379	$ 25,755	$ 2,491	$ 632,747	
Net book value at March 31, 2011	$ 113,921	$ 506,687	$ 1,700	$ 2,983		$ 625,291

[a] Equipment consists of Emergency Housing with a net book value of $24,660 and office equipment with a net book value of $1,095.

NOTE 10 LONG-TERM DEBT

(in thousands)
(Restated - Note 3)

The Ministry's long term debt and exposure to interest rate risk are summarized as follows:

	2012	2011
Canada Mortgage and Housing Corporation [a]	$ 69,011	$ 70,972
Alberta Finance [b]	132,543	157,555
	$ 201,554	$ 228,527

[a] Debentures maturing January 2023 to January 2030, with a weighted average effective rate of 9.655%

[b] Notes payable maturing September 16, 2016, with an effective rate of 5.93%.

The Province of Alberta guarantees the repayment of principal and interest on all borrowings. The debentures, including interest thereon, are repayable in equal annual or semi-annual installments and the note payable is repayable in equal semi annual installments.

Approximate aggregate repayments of principal in each of the next five years are:

2013	$ 28,664
2014	30,463
2015	32,378
2016	34,415
2017	19,588
Thereafter	56,046
	$ 201,554

Long term debt has a fair value of $102,122 (2011 - $99,774) for Canada Mortgage and Housing Corporation debentures and $145,950 (2011 - $172,108) for the note payable to Alberta Finance. Fair values for debt are based on the Province of Alberta's current borrowing rates which are available to the Ministry for debt with similar terms and maturities.

NOTE 11 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Ministry to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2012	2011 (Restated - Note 3)
Operating Expense		
Service Contracts [a]	$ 18,667	$ 15,717
Agreements [b]	8,238,000	9,124,000
Long-Term Leases [c]	37,380	38,449
Programs [d]	242,971	282,427
	$ 8,537,018	$ 9,460,593

[a] Includes contracts for supplies and services, an operating lease for office space and equipment leases.

[b] Agreements of $8,238,000 relates to the Municipal Sustainability Initiative. This is an agreement which began in 2007-08 between the Ministry of Municipal Affairs and Alberta municipalities for capital and operating purposes. The funding is subject to the annual appropriation of the Legislature.

[c] The Ministry leases land for the purpose of providing social housing.

[d] Grants committed for future years.

NOTE 11 CONTRACTUAL OBLIGATIONS (continued)

(in thousands)

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Service Contracts	Agreements	Long-Term Leases	Programs	Total
2012-13	$ 10,348	$ 896,000	$ 1,347	$ 45,710	$ 953,405
2013-14	7,104	1,050,000	1,347	18,034	1,076,485
2014-15	339	1,050,000	1,347	17,510	1,069,196
2015-16	267	1,400,000	1,347	17,466	1,419,080
2016-17	261	1,400,000	1,347	17,438	1,419,046
Thereafter	348	2,442,000	30,645	126,813	2,599,806
	$ 18,667	$ 8,238,000	$ 37,380	$ 242,971	$ 8,537,018

NOTE 12 CONTINGENT LIABILITIES

(in thousands)
(Restated - Note 3)

At March 31, 2012 the Ministry is a defendant in twelve legal claims (2011 – 15 legal claims). Eleven of these claims have specified amounts totaling $53,414 and the remaining one has no specified amount (2011 – 13 claims with a specified amount of $54,537 and two with no specified amount). Included in the total legal claims are six claims amounting to $1,188, and one with no specified amount, (2011 – 10 claims amounting to $52,286) in which the Ministry has been jointly named with other entities. Eight claims amounting to $1,898 (2011 – seven claims amounting to $1,339) are covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

NOTE 13 TRUST FUNDS UNDER ADMINISTRATION

(in thousands)

The Ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Ministry's financial statements.

The financial statements of the following trust funds are prepared on a calendar year basis and the net assets as disclosed in the unaudited financial statements of the trust funds for December 31, 2011 and December 31, 2010 are as follows:

	2011	2010
Special Areas Trust Account	$ 231,150	$ 218,966
Improvement Districts' Trust Account	9,825	8,955
	$ 240,975	$ 227,921

The Ministry served as Chair of the Provincial Territorial Secretariat in 2010-11 and 2011-12. The Ministry is responsible for managing collection of funds from other provinces as dues and disbursements relating to the Ministry's position as Chair. The funds held in trust at March 31, 2012 are $0 (2011 - $155).

NOTE 14 PROGRAM RECOVERIES

The Ministry receives recoveries from Canada Mortgage and Housing Corporation (CMHC) for eligible expenditures under the Federal Economic Stimulus Plan for retrofit and regeneration of social housing, as well as costs eligible under the Operating Agreements with CMHC for rent supplement and special needs housing. The CMHC provides contributions towards subsidies of rental properties and mortgages receivable and for certain capital costs, administration expenses and net operating results of approved community housing projects through cost sharing agreements. The CMHC also provides contributions for net operating results of approved seniors housing projects.

NOTE 15 HOUSING PROVIDERS

The Ministry supports the provision of seniors and community housing through housing providers. Grants are provided to cover operating deficits of specific programs, and recoveries (revenues) are received from operating surpluses. Costs for property insurance, amortization and interest on long-term debt are incurred and recorded by the Ministry; housing providers do not incur or record these expenses.

NOTE 16 PAYMENTS UNDER AGREEMENT

(in thousands)

The Ministry has entered into agreements to deliver programs and services for the following:

- The Federal Office of Critical Infrastructure Protection and Emergency Preparedness Program which is designed to provide financial assistance, on a cost shared basis with municipalities, to fund projects that will develop or enhance a regional emergency response capability.
- Indian and Northern Affairs Canada to deliver the Alberta First Nations Emergency Planning Program.

Costs under these agreements are incurred by the Ministry under authority in Section 25 of the *Financial Administration Act*. Accounts receivable includes $1,582 (2011 – $2,571) and accounts payable includes $1,417 (2011 – $1,985) relating to payments under agreement.

Amounts paid and payable under agreement are as follows:

	2012	2011
Joint Emergency Preparedness Program	$ 1,122	$ 1,244
First Nations Emergency Planning Program	558	570
	$ 1,680	$ 1,814

NOTE 17 BENEFIT PLANS

(in thousands)
(Restated – Note 3)

The Ministry participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $5,153 for the year ended March 31, 2012 (2011 – $5,055).

At December 31, 2011, the Management Employees Pension Plan reported a deficiency of $517,726 (2010 – deficiency $397,087), the Public Service Pension Plan reported a deficiency of $1,790,383 (2010 – deficiency $2,067,151) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $53,489 (2010 – deficiency $39,559).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2012, the Bargaining Unit Plan reported an actuarial surplus of $9,136 (2011 – deficiency $4,141) and the Management, Opted Out and Excluded Plan an actuarial surplus of $10,454 (2011 – surplus $7,020). The expense for these two plans is limited to the employer's annual contributions for the year.

NOTE 18 COMPARATIVE FIGURES

Certain 2011 figures have been reclassified to conform to the 2012 presentation.

NOTE 19 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Senior Financial Officer and the Deputy Minister.

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS

Schedule 1

Revenues
Year ended March 31, 2012
(in thousands)

	2012		2011
	Budget	Actual	Actual (Restated - Note 3)
Transfers from the Government of Canada			
Recoveries from Canada Mortgage and Housing Corporation (Note 14)	$ 84,936	$ 92,976	$ 136,931
Disaster Financial Assistance Arrangements	-	82,130	2,692
Other	-	(356)	(171)
	84,936	174,750	139,452
Premiums, Fees and Licences	471	5,784	5,577
Investment Income			
Bank and Other	2,000	3,437	2,714
Mortgages	25	(22)	7
	2,025	3,415	2,721
Other Revenue			
Contributions in Kind	-	3,770	18,215
Current Expenditure Refunds	4,275	4,489	3,240
Prior Year Expenditure Refunds	-	4,253	12,793
Recoveries from Housing Providers (Note 15)	1,500	7,933	6,819
Rental Revenue	107	1,522	108
Miscellaneous	-	274	73
Gain on Disposal of Tangible Capital Assets	2,597	7,054	6,326
	8,479	29,295	47,574
Net Income from Commercial Operations	157	-	-
	$ 96,068	$ 213,244	$ 195,324

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
Expenses - Directly Incurred Detailed by Object
Year ended March 31, 2012
(in thousands)

Schedule 2

	2012		2011
	Budget	Actual	Actual (Restated - Note 3)
Salaries, Wages and Employee Benefits	$ 52,164	$ 51,763	$ 50,569
Supplies and Services	26,539	53,971	43,264
Grants	1,206,003	1,415,405	1,456,160
Debt Servicing Costs	15,838	15,855	17,451
Financial Transactions and Other	234	430	314
Amortization of Tangible Capital Assets	26,141	26,104	24,723
	$ 1,326,919	$ 1,563,528	$ 1,592,481

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS
Budget
Year ended March 31, 2012
(in thousands)

Schedule 3

	2011-2012				
	Estimates[a]	Adjustments[b]	Budget	Authorized Supplementary[c]	Authorized Budget
Revenues					
Transfers from Government of Canada	$ 84,936	$ -	$ 84,936	$ 20,190	$ 105,126
Premiums, Fees and Licences	471	-	471	-	471
Investment Income	2,025	-	2,025	-	2,025
Other Revenue	8,479	50	8,529	-	8,529
Net Income from Commercial Operations	157	-	157	-	157
	96,068	50	96,118	20,190	116,308
Expenses - Directly Incurred					
Program					
Ministry Support Services	19,349	-	19,349	(523)	18,826
Municipal and Assessment Services	27,272	-	27,272	-	27,272
Municipal Sustainability Initiative	886,000	-	886,000	-	886,000
Grants in Place of Taxes	47,337	-	47,337	-	47,337
Regional Collaboration Program	8,939	214	9,153	15,400	24,553
Public Safety	10,043	-	10,043	-	10,043
Alberta Emergency Management Agency	12,654	30,050	42,704	292,600	335,304
Municipal Government Board	4,353	-	4,353	-	4,353
Library Services	32,323	-	32,323	-	32,323
Housing Development and Operations	188,672	-	188,672	20,190	208,862
Alberta Social Housing Corporation	74,139	-	74,139	-	74,139
Credit or Recovery (Shortfall)	-	(74)	(74)	-	(74)
	1,311,081	30,190	1,341,271	327,667	1,668,938
Debt Servicing					
Alberta Social Housing Corporation	15,838	-	15,838	-	15,838
	1,326,919	30,190	1,357,109	327,667	1,684,776
Net Operating Results	$ (1,230,851)	$ (30,140)	$ (1,260,991)	$ (307,477)	$ (1,568,468)
Capital Investment	$ 41,190	$ (30,000)	$ 11,190	$ 65,100	$ 76,290

[a] The Estimates were restated to reflect the government reorganization on October 12, 2011 (Order in Council 440/2011, 461/2011 and 24/2012). The Ministry of Municipal Affairs was transferred responsibility for the Alberta Social Housing Corporation (except for Parsons Creek Land Development), Housing Development and Operations and the related Ministry Support Services from the former Ministry of Housing and Urban Affairs. The responsibility for the Francophone Secretariat was transferred to the Ministry of Intergovernmental, International and Aboriginal Relations.

[b] Adjustments to the Estimates include:

- $50 increase in expense and credit or recovery. Treasury Board approval is pursuant to section 24(2) of the *Financial Administration Act*.
- $214 transfer from Infrastructure for emergent capital purposes. Treasury Board approval is pursuant to the *Appropriation Act, 2011* section 5(3).
- $74 decrease in expense for credit or recovery shortfalls related to Linear Assessment Services ($29) and the Emergency Services Workers Agreement ($45).
- $30,000 transfer from capital investment to expense to provide funding for a grant to the Alberta Social Housing Corporation to allow the Corporation to purchase temporary accommodation units.

[c] Supplementary Estimates were approved on December 1, 2011 and March 5, 2012.

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS

Schedule 4

Related Party Transactions
Year ended March 31, 2012
(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management in the Ministry.

The Ministry and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Ministry had the following transactions with related parties recorded on the Consolidated Statement of Operations and the Consolidated Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Other Entities	
	2012	2011 (Restated - Note 3)
Revenues		
Fees and charges	$ 59	$ 150
	$ 59	$ 150
Expenses - Directly Incurred		
Grants	$ 2,556	$ -
Business and Technology Services	1,129	1,633
Insurance	1,989	1,866
Debt Servicing Costs	9,035	10,476
Other Services	454	446
	$ 15,163	$ 14,421
Accounts Receivable		
Risk Management and Insurance	$ 12,956	$ 5,574
Alberta Finance	260	379
	$ 13,216	$ 5,953
Accounts Payable		
Alberta Finance [(a)]	$ 132,866	$ 157,940
Agriculture Financial Services Corporation	1,255	-
Alberta Infrastructure	879	762
Risk Management and Insurance	359	-
Lakeland College	108	103
	$ 135,467	$ 158,805

[(a)] Debt and accrued interest on debt.

Related Party Transactions
Year ended March 31, 2012
(in thousands)

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 5.

	Other Entities	
	2012	2011 (Restated - Note 3)
Expenses - Incurred by Others (Schedule 5)		
Accommodation	$ 8,089	$ 5,874
Business Services	2,313	2,332
Air Transportation	110	68
Legal	1,010	1,032
	$ 11,522	$ 9,306

The Ministry paid $47,636 (2011 restated $44,268) of grants in place of taxes on behalf of other ministries.

MINISTRY OF MUNICIPAL AFFAIRS
SCHEDULE TO THE CONSOLIDATED FINANCIAL STATEMENTS **Schedule 5**
Allocated Costs
Year ended March 31, 2012
(in thousands)

	2012					2011
		Expenses - Incurred by Others				(Restated - Note 3)
Program	Expenses[a]	Accommodation Costs[b]	Business Services[c]	Legal Services[d]	Expenses	Expenses
Ministry Support Services	$ 15,950	$ 899	$ 2,423	$ 111	$ 19,383	$ 20,730
Municipal and Assessment Services	21,672	1,631	-	372	23,675	23,822
Municipal Sustainability Initiative	886,000	-	-	-	886,000	876,000
Grants in Place of Taxes	48,545	-	-	-	48,545	45,197
Regional Collaboration Program	29,553	-	-	-	29,553	12,842
Public Safety	9,942	723	-	170	10,835	10,678
Alberta Emergency Management Agency	233,409	635	-	147	234,191	156,125
Municipal Government Board	3,942	186	-	57	4,185	5,096
Library Services	31,765	88	-	-	31,853	32,340
Housing Development and Operations	189,250	2,749	-	51	192,050	281,140
Alberta Social Housing Corporation	88,246	1,178	-	102	89,526	132,824
Safety Codes Council	5,254	-	-	-	5,254	4,993
	$ 1,563,528	$ 8,089	$ 2,423	$ 1,010	$ 1,575,050	$ 1,601,787

[a] Expenses – Directly Incurred as per Consolidated Statement of Operations.

[b] Cost shown for Accommodation on Schedule 4, allocated by number of employees.

[c] Business Services includes financial and administrative services and air transportation allocated by estimated costs incurred in each program.

[d] Costs shown for Legal Services on Schedule 4, allocated by estimated costs incurred by each program.

Department of Municipal Affairs

Financial Statements

March 31, 2012

Auditor's Report
Statement of Operations
Statement of Financial Position
Statement of Cash Flows
Notes to the Financial Statements
Schedules to the Financial Statements:

1 Revenues
2 Credit or Recovery
3 Expenses - Directly Incurred Detailed by Object
4 Budget
5 Comparison of Directly Incurred Expense, Capital Investment and Non-Budgetary Disbursements by Element to Authorized Spending
6 Lottery Fund Estimates
7 Salary and Benefits Disclosure
8 Related Party Transactions
9 Allocated Costs

Independent Auditor's Report

AUDITOR GENERAL *Alberta*

To the Minister of Municipal Affairs

Report on the Financial Statements

I have audited the accompanying financial statements of the Department of Municipal Affairs, which comprise the statement of financial position as at March 31, 2012, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 5, 2012

Edmonton, Alberta

DEPARTMENT OF MUNICIPAL AFFAIRS
STATEMENT OF OPERATIONS
Year ended March 31, 2012
(in thousands)

	2012		2011
	Budget (Schedule 4)	Actual	Actual (Restated - Note 3)
Revenues (Schedule 1)			
Transfers from the Government of Canada	$ 15,650	$ 117,063	$ 78,644
Premiums, Fees and Licences	471	504	547
Other Revenue	4,275	8,760	15,219
	20,396	126,327	94,410
Expenses - Directly Incurred (Note 2(b) and Schedule 9)			
Program (Schedules 3 and 5)			
Ministry Support Services	19,349	15,950	17,239
Municipal and Assessment Services	27,272	21,672	21,914
Municipal Sustainability Initiative	886,000	886,000	876,000
Grants in Place of Taxes	47,337	48,545	45,197
Regional Collaboration Program	8,939	29,553	12,841
Public Safety	10,043	9,942	9,885
Alberta Emergency Management Agency	12,654	259,902	155,870
Municipal Government Board	4,353	3,942	4,884
Library Services	32,323	31,765	32,252
Housing Development and Operations	215,645	235,573	346,032
	1,263,915	1,542,844	1,522,114
Net Operating Results	$ (1,243,519)	$ (1,416,517)	$ (1,427,704)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF MUNICIPAL AFFAIRS
STATEMENT OF FINANCIAL POSITION
As at March 31, 2012
(in thousands)

	2012	2011 (Restated - Note 3)
Assets		
Cash	$ 33	$ 615
Accounts Receivable (Note 4)	248,789	164,019
Tangible Capital Assets (Note 6)	3,270	3,912
	$ 252,092	$ 168,546
Liabilities		
Accounts Payable and Accrued Liabilities	$ 776,302	$ 664,364
Net Liabilities		
Net Liabilities at Beginning of Year	(495,818)	(409,916)
Net Operating Results	(1,416,517)	(1,427,704)
Net Financing Provided from General Revenues	1,388,125	1,341,802
Net Liabilities at End of Year	(524,210)	(495,818)
	$ 252,092	$ 168,546

Contractual obligations and contingent liabilities (Notes 7 and 8)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF MUNICIPAL AFFAIRS
STATEMENT OF CASH FLOWS
Year ended March 31, 2012
(in thousands)

	2012 Actual	2011 Actual (Restated - Note 3)
Operating Transactions		
Net Operating Results	$ (1,416,517)	$ (1,427,704)
Non-cash items included in Net Operating Results:		
Amortization	1,443	1,440
	(1,415,074)	(1,426,264)
(Increase) Decrease in Accounts Receivable	(84,770)	617
Increase in Accounts Payable and Accrued Liabilities	111,938	85,818
Cash Applied to Operating Transactions	(1,387,906)	(1,339,829)
Capital Transactions		
Acquisition of Tangible Capital Assets	(801)	(1,362)
Cash Applied to Capital Transactions	(801)	(1,362)
Financing Transactions		
Net Financing Provided from General Revenues	1,388,125	1,341,802
Cash Provided by Financing Transactions	1,388,125	1,341,802
(Decrease) Increase in Cash	(582)	611
Cash, Beginning of Year	615	4
Cash, End of Year	$ 33	$ 615

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF MUNICIPAL AFFAIRS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 AUTHORITY AND PURPOSE

The Department of Municipal Affairs operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000.

The Department's mission is to help ensure Albertans are served by sustainable, collaborative and accountable local governments and live in strong, safe and viable communities. Its core businesses are to support municipalities and their communities and to coordinate and support provincial safety, fire and emergency management systems.

This is done by:

- Enhancing viability, long term sustainability, and accountability of municipalities and their communities.
- Enhancing the vitality of Alberta communities by providing services and resources to public libraries.
- Providing fair and timely responses on matters before the Municipal Government Board as set out in the *Municipal Government Act* and related regulations.
- Addressing Albertans' safety, health, conservation and environmental priorities through a collaborative community focused safety codes system.
- Protecting Albertans from the effects of emergency events through a comprehensive emergency management system.
- Providing low income Albertans access to a range of safe and affordable housing options and supports.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The reporting entity is the Department of Municipal Affairs which is part of the Ministry of Municipal Affairs for which the Minister of Municipal Affairs is accountable. The other entities reporting to the Minister are the Alberta Social Housing Corporation and the Safety Codes Council, the activities of which are not included in these financial statements. The Department is also responsible for the Improvement Districts' Trust Account and Special Areas Trust Account, the activities of which are not included in these financial statements except by way of disclosure in Note 9 to these financial statements.

The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Department's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net Financing Provided from General Revenues is the difference between all cash receipts and all cash disbursements made.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Transfers from the Government of Canada

Transfers from the Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met and a reasonable estimate of the amounts can be made. The Department recognizes Disaster Financial Assistance Arrangements revenue when the Government of Canada issues an Order in Council declaring the Alberta disaster to be of a concern to the Government of Canada.

Credit or Recovery

Credit or Recovery initiatives provide a basis for authorizing spending. Credits or Recoveries are shown in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual credit or recovery amounts exceed budget, the Department may, with the approval of the Treasury Board Committee, use the excess to fund additional expenses of the program. Schedule 2 discloses information on the Department's credit or recovery initiatives.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs, which are the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Incurred by Others

Services contributed by other entities in support of the Department operations are not recognized and are disclosed in Schedule 8 and allocated to programs in Schedule 9.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (continued)

(b) Basis of Financial Reporting (continued)

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Department are limited to cash, financial claims, such as advances to and receivables from other organizations, employees and other individuals, as well as inventories held for resale.

Assets acquired by right are not included. Tangible capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000.

When physical assets (tangible capital assets and inventories) are gifted or sold for a nominal sum, the fair values of these physical assets less any nominal proceeds are recorded as grants in kind.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Liabilities

Net liabilities represent the difference between the carrying value of assets held by the Department and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Department operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Measurement Uncertainty
(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Accrued liabilities for the Disaster Recovery Program $203,415 (2011 – $113,275) as disclosed in these financial statements are subject to measurement uncertainty.

A portion of the Government of Canada accounts receivable, $175,450 (2011 – $93,880) is related to Disaster Recovery Programs that meet the eligibility criteria of the Disaster Financial Assistance Arrangements. The nature of the uncertainty for the Government of Canada accounts receivable and Disaster Recovery Program accrued liabilities arises from changes in the actual disaster costs to the estimated disaster costs. These changes can be attributed to such factors as construction cost fluctuations, receipt of eligible claims, and the level of work and time required to recover from disaster events.

NOTE 3 GOVERNMENT REORGANIZATION AND LOTTERY FUND INITIATIVES

(in thousands)

Government Reorganization

As a result of restructuring of government departments announced on October 12, 2011, the Department of Municipal Affairs was transferred responsibility for the administration of Housing Development and Operations and the related Ministry Support Services from the former Department of Housing and Urban Affairs (Order in Council 440/2011 and 24/2012). Responsibility for the Francophone Secretariat was transferred from the Department of Municipal Affairs to the Department of Intergovernmental, International and Aboriginal Relations (Order in Council 461/2011). Therefore, comparatives for 2011 have been restated as if the Department had always been assigned with its current responsibilities.

Net liabilities on March 31, 2010 is made up as follows:

Net assets as previously reported	$ 13,984
Transfer from the former Department of Housing and Urban Affairs	(419,266)
Transfer to the Department of Intergovernmental, International and Aboriginal Relations	(4,634)
Net liabilities at March 31, 2010	$ (409,916)

Lottery Fund Initiatives

The method of funding the eligible initiatives from the lottery and gaming proceeds was changed during the year. Previously, they were funded directly from the Lottery Fund and were included in the Department's revenues ($26,000). However, such proceeds are now deposited into the General Revenue Fund to finance the eligible initiatives. Financial statements for prior years have been restated as if the current arrangement had always existed. Schedule 6 provides a comparison of estimates and actual expenses for Lottery Fund initiatives.

NOTE 4 ACCOUNTS RECEIVABLE

(in thousands)

	2012			2011
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value (Restated - Note 3)
Government of Canada	$ 248,581	$	$ 248,581	$ 163,422
Other	1,740	(1,532)	208	597
	$ 250,321	$ (1,532)	$ 248,789	$ 164,019

Accounts receivable are unsecured and non interest bearing.

NOTE 5 VALUATION OF FINANCIAL ASSETS AND LIABILITIES

(in thousands)

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable (excluding disaster recovery accounts receivable) and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short-term nature of these instruments.

NOTE 5 VALUATION OF FINANCIAL ASSETS AND LIABILITIES (continued)

(in thousands)

Disaster Recovery accounts receivable $175,450 (2011 – $93,880), as included in the Government of Canada accounts receivable, is a long term financial instrument and non-interest bearing. As a result, the Department believes the fair value of this financial instrument to be less than its carrying value. However, due to the uncertainty as to the eventual collection or repayment date of this financial instrument, the Department is unable to estimate the fair value.

NOTE 6 TANGIBLE CAPITAL ASSETS

(in thousands)

	2012			2011
	Equipment[a]	Computer Hardware and Software	Total	Total (Restated - Note 3)
Estimated useful life	10 years	5 years		
Historical Cost				
Beginning of year	$ 2,680	$ 16,290	$ 18,970	$ 18,414
Additions	-	801	801	1,362
Disposals, including write-downs				(806)
	$ 2,680	$ 17,091	$ 19,771	$ 18,970
Accumulated Amortization				
Beginning of year	$ 1,526	$ 13,532	$ 15,058	$ 14,424
Amortization expense	158	1,285	1,443	1,440
Effect of disposals				(806)
	$ 1,684	$ 14,817	$ 16,501	$ 15,058
Net book value at March 31, 2012	$ 996	$ 2,274	$ 3,270	
Net book value at March 31, 2011	$ 1,154	$ 2,758		$ 3,912

[a] Equipment includes vehicles, office equipment and other equipment.

NOTE 7 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Department to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2012	2011 (Restated - Note 3)
Operating Expense		
Service Contracts	$ 16,989	$ 14,721
Agreements[a]	8,238,000	9,124,000
Programs[b]	120,645	147,853
	$ 8,375,634	$ 9,286,574

[a] Agreements of $8,238,000 relates to the Municipal Sustainability Initiative. This is an agreement which began in 2007-08 between the Department of Municipal Affairs and Alberta municipalities for capital and operating purposes. The funding is subject to the annual appropriation of the Legislature.

[b] Agreements to provide funding to municipalities for housing program delivery.

NOTE 7 CONTRACTUAL OBLIGATIONS (continued)

(in thousands)

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Service Contracts	Agreements	Programs	Total
2012-13	$ 10,085	$ 896,000	$ 34,310	$ 940,395
2013-14	6,829	1,050,000	6,634	1,063,463
2014-15	72	1,050,000	6,110	1,056,182
2015-16	3	1,400,000	6,066	1,406,069
2016-17	-	1,400,000	6,038	1,406,038
Thereafter	-	2,442,000	61,487	2,503,487
	$ 16,989	$ 8,238,000	$ 120,645	$ 8,375,634

NOTE 8 CONTINGENT LIABILITIES

(in thousands)

At March 31, 2012 the Department is a defendant in five legal claims (2011 – six legal claims). Four of these claims have specified amounts totaling $51,356 and the remaining one has no specified amount (2011 – four claims with a specified amount of $51,356 and two with no specified amount). Included in the total legal claims is one claim with no specified amount (2011 – two claims amounting to $50,000) in which the Department has been jointly named with other entities. Two claims amounting to $710 (2011 – one claim amounting to $160) are covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

NOTE 9 TRUST FUNDS UNDER ADMINISTRATION

(in thousands)

The Department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Department's financial statements.

The financial statements of the following trust funds are prepared on a calendar year basis and the net assets as disclosed in the unaudited financial statements of the trust funds for December 31, 2011 and December 31, 2010 are as follows:

	2011	2010
Special Areas Trust Account	$ 231,150	$ 218,966
Improvement Districts' Trust Account	9,825	8,955
	$ 240,975	$ 227,921

The Department served as Chair of the Provincial Territorial Secretariat in 2010-11 and 2011-12. The Department is responsible for managing collection of funds from other provinces as dues and disbursements relating to the Department's position as Chair. The funds held in trust at March 31,2012 are $0 (2011- $155).

NOTE 10 PROGRAM RECOVERIES

The Department receives recoveries from Canada Mortgage and Housing Corporation (CMHC) for eligible expenditures under the Federal Economic Stimulus Plan for retrofit and regeneration of social housing incurred in the Alberta Social Housing Corporation, as well as costs eligible under the Operating Agreements with CMHC for rent supplement and special needs housing.

NOTE 11 PAYMENTS UNDER AGREEMENT

(in thousands)

The Department has entered into agreements to deliver programs and services for the following:

- The Federal Office of Critical Infrastructure Protection and Emergency Preparedness Program which is designed to provide financial assistance, on a cost-shared basis with municipalities, to fund projects that will develop or enhance a regional emergency response capability.
- Indian and Northern Affairs Canada to deliver the Alberta First Nations Emergency Planning Program.

Costs under these agreements are incurred by the Department under authority in Section 25 of the *Financial Administration Act*. Accounts receivable includes $1,582 (2011 – $2,571) and accounts payable includes $1,417 (2011 – $1,985) relating to payments under agreement.

Amounts paid and payable under agreement are as follows:

	2012	2011
Joint Emergency Preparedness Program	$ 1,122	$ 1,244
First Nations Emergency Planning Program	558	570
	$ 1,680	$ 1,814

NOTE 12 BENEFIT PLANS

(in thousands)
(Restated – Note 3)

The Department participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $5,153 for the year ended March 31, 2012 (2011 – $5,055).

At December 31, 2011, the Management Employees Pension Plan reported a deficiency of $517,726 (2010 – deficiency $397,087), the Public Service Pension Plan reported a deficiency of $1,790,383 (2010 – deficiency $2,067,151) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $53,489 (2010 – deficiency $39,559).

The Department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2012, the Bargaining Unit Plan reported an actuarial surplus of $9,136 (2011 – deficiency $4,141) and the Management, Opted Out and Excluded Plan an actuarial surplus of $10,454 (2011 – surplus $7,020). The expense for these two plans is limited to the employer's annual contributions for the year.

NOTE 13 COMPARATIVE FIGURES

Certain 2011 figures have been reclassified to conform to the 2012 presentation.

NOTE 14 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
Revenues
Year ended March 31, 2012
(in thousands)

Schedule 1

	2012		2011
	Budget	Actual	Actual (Restated - Note 3)
Transfers from the Government of Canada			
Recoveries from Canada Mortgage and Housing Corporation (Note 10)			
Rent Supplement and Special Needs Housing	$ 15,650	$ 20,190	$ 15,433
Affordable Housing	-	15,099	38,000
Renovation and Retrofit	-	-	22,690
Disaster Financial Assistance Arrangements	-	82,130	2,692
Other	-	(356)	(171)
	15,650	117,063	78,644
Premiums, Fees and Licences	471	504	547
Other Revenue			
Current Expenditure Refunds	4,275	4,462	3,225
Prior Year Expenditure Refunds	-	4,281	11,988
Miscellaneous	-	17	6
	4,275	8,760	15,219
	$ 20,396	$ 126,327	$ 94,410

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
Credit or Recovery
Year ended March 31, 2012
(in thousands)

Schedule 2

	2012		
	Authorized [a]	Actual	(Shortfall)/ Excess[b]
Municipal and Assessment Services			
Linear Assessment Services[c]	$ 3,294	$ 3,265	$ (29)
Alberta Emergency Management Agency			
Emergency Services Workers Agreement[d]	50	5	(45)
	$ 3,344	$ 3,270	$ (74)

[a] The authorized budget includes any adjustments appearing in Schedule 4. Only expenditures are authorized.

[b] The shortfall is deducted from the current year authorized budget as disclosed in Schedules 4 and 5.

[c] The Department prepares linear property assessments for various municipalities on a cost recovery basis. The Department prepares the linear property assessments, sends assessment notices to taxpayers, defends the assessments and provides data to the municipalities, who in turn charge taxes to the owners of the linear property. The revenue is reported as part of other revenue on the Statement of Operations.

[d] The Emergency Services Workers Agreement provides compensation and medical aid to emergency workers who are injured or killed while performing their duties. The agreement allows for partial recovery of Workers' Compensation Board (WCB) costs. The revenue is reported as part of other revenue on the Statement of Operations.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
Expenses - Directly Incurred Detailed by Object
Year ended March 31, 2012
(in thousands)

Schedule 3

	2012		2011
	Budget	Actual	Actual (Restated - Note 3)
Salaries, Wages and Employee Benefits	$ 52,164	$ 48,728	$ 48,240
Supplies and Services	23,989	47,136	36,258
Grants	1,185,173	1,445,359	1,435,898
Financial Transactions and Other	224	178	278
Amortization of Tangible Capital Assets	2,365	1,443	1,440
	$ 1,263,915	$ 1,542,844	$ 1,522,114

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
Budget
Year ended March 31, 2012
(in thousands)

Schedule 4

	2011-2012				
	Estimates[a]	Adjustments[b]	Budget	Authorized Supplementary[c]	Authorized Budget
Revenues					
Transfers from Government of Canada	$ 15,650	$	$ 15,650	$ 20,190	$ 35,840
Premiums, Fees and Licences	471		471		471
Other Revenue	4,275	50	4,325		4,325
	20,396	50	20,446	20,190	40,636
Expenses - Directly Incurred					
Program					
Ministry Support Services	19,349		19,349	(523)	18,826
Municipal and Assessment Services	27,272		27,272		27,272
Municipal Sustainability Initiative	886,000		886,000		886,000
Grants in Place of Taxes	47,337		47,337		47,337
Regional Collaboration Program	8,939	214	9,153	15,400	24,553
Public Safety	10,043		10,043		10,043
Alberta Emergency Management Agency	12,654	30,050	42,704	292,600	335,304
Municipal Government Board	4,353		4,353		4,353
Library Services	32,323		32,323		32,323
Housing Development and Operations	215,645		215,645	20,190	235,835
Credit or Recovery (Shortfall) (Schedule 2)		(74)	(74)		(74)
	1,263,915	30,190	1,294,105	327,667	1,621,772
Net Operating Results	$ (1,243,519)	$ (30,140)	$ (1,273,659)	$ (307,477)	$ (1,581,136)
Capital Investment	$ 1,190	$ (30,000)	$ (28,810)	$ 65,100	$ 36,290

[a] The Estimates were restated to reflect the government reorganization on October 12, 2011 (Order in Council 440/2011, 461/2011 and 24/2012). The Department of Municipal Affairs was transferred responsibility for Housing Development and Operations and the related Ministry Support Services from the former Department of Housing and Urban Affairs. The responsibility for the Francophone Secretariat was transferred to the Department of Intergovernmental, International and Aboriginal Relations.

[b] Adjustments to the Estimates include:

- $50 increase in expense and credit or recovery. Treasury Board approval is pursuant to section 24(2) of the *Financial Administration Act*.
- $214 transfer from Infrastructure for emergent capital purposes. Treasury Board approval is pursuant to the *Appropriation Act, 2011* section 5(3).
- $30,000 transfer from capital investment to expense to provide funding for a grant to the Alberta Social Housing Corporation to allow the Corporation to purchase temporary accommodation units.

[c] Supplementary Estimates were approved on December 1, 2011 and March 5, 2012.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS

Schedule 5

Comparison of Directly Incurred Expense, Capital Investment and Non-Budgetary Disbursements by Element to Authorized Spending
Year ended March 31, 2012
(in thousands)

	2011-12								
	Estimates [a]	Adjustments [b]	Budget	Authorized Supplementary [c]	Authorized Budget	Amounts not required to be Voted [d]	Authorized Spending	Actual Expense [e]	Unexpended (Over Expended)
Expense and Capital Investments									
1 Ministry Support Services									
1.1 Minister's Office	$ 1,011	$ -	$ 1,011	$ (214)	$ 797	$ -	$ 797	$ 800	$ (3)
1.2 Deputy Minister's Office	1,435	-	1,435	(309)	1,126	-	1,126	1,027	99
1.3 Support Services									
- Expense	16,903	-	16,903	-	16,903	(971)	15,932	13,845	2,087
- Capital Investment	100	-	100	-	100	-	100	230	(130)
Total Program 1	19,449	-	19,449	(523)	18,926	(971)	17,955	15,902	2,053
2 Municipal and Assessment Services									
2.1 Division Support	2,487	-	2,487	-	2,487	-	2,487	2,173	314
2.2 Municipal Services									
- Expense	13,136	-	13,136	-	13,136	(832)	12,304	9,511	2,793
- Capital Investment	568	-	568	-	568	-	568	188	380
2.3 Assessment Services									
- Expense	11,649	(29)	11,620	-	11,620	(635)	10,985	8,912	2,073
- Capital Investment	522	-	522	-	522	-	522	383	139
Total Program 2	28,362	(29)	28,333	-	28,333	(1,467)	26,866	21,167	5,699
3 Municipal Sustainability Initiative									
3.1 Municipal Sustainability Capital Grants	836,000	-	836,000	-	836,000	-	836,000	838,106	(2,106)
3.2 Municipal Sustainability Operating Grants	50,000	-	50,000	-	50,000	-	50,000	47,894	2,106
Total Program 3	886,000	-	886,000	-	886,000	-	886,000	886,000	-
4 Grants in Place of Taxes	47,337	-	47,337	-	47,337	-	47,337	48,545	(1,208)

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
Comparison of Directly Incurred Expense, Capital Investment and Non-Budgetary Disbursements by Element to Authorized Spending
Year ended March 31, 2012
(in thousands)

Schedule 5
(continued)

	2011-12								
	Estimates [a]	Adjustments [b]	Budget	Authorized Supplementary [c]	Authorized Budget	Amounts not required to be Voted [d]	Authorized Spending	Actual Expense [e]	Unexpended (Over Expended)
Expense and Capital Investments									
5 Regional Collaboration Program	8,939	214	9,153	15,400	24,553		24,553	29,553	(5,000)
6 Public Safety									
6.1 Division Support	1,279	-	1,279	-	1,279		1,279	1,215	64
6.2 Program Management	359	-	359	-	359		359	376	(17)
6.3 Technical Services	2,048	-	2,048	-	2,048		2,048	2,008	40
6.4 Regional Services	4,031	-	4,031	-	4,031		4,031	3,930	101
6.5 Tank Site Remediation Program	2,326	-	2,326	-	2,326		2,326	2,345	(19)
Total Program 6	10,043	-	10,043	-	10,043		10,043	9,874	169
7 Alberta Emergency Management Agency									
7.1 Managing Director's Office	857	-	857	-	857		857	428	429
7.2 Operational Programs	4,072	-	4,072	-	4,072	(120)	3,952	3,817	135
7.3 Operations	6,725	5	6,730	-	6,730		6,730	6,939	(209)
7.4 Disaster Recovery									
- Expense	200	30,000	30,200	292,600	322,800		322,800	247,579	75,221
- Capital Investment	-	(30,000)	(30,000)	65,100	35,100		35,100	-	35,100
7.5 Emergency Preparedness Grants	800	-	800	-	800		800	814	(14)
Total Program 7	12,654	5	12,659	357,700	370,359	(120)	370,239	259,577	110,662
8 Municipal Government Board	4,353	-	4,353	-	4,353	(4)	4,349	3,926	423

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS

Schedule 5
(continued)

Comparison of Directly Incurred Expense, Capital Investment and Non-Budgetary Disbursements by Element to Authorized Spending
Year ended March 31, 2012
(in thousands)

		2011-12								
		Estimates [a]	Adjustments [b]	Budget	Authorized Supplementary [c]	Authorized Budget	Amounts not required to be Voted [d]	Authorized Spending	Actual Expense [e]	Unexpended (Over Expended)
Expense and Capital Investments										
9	**Library Services**									
9.1	Library Services	1,604	-	1,604	-	1,604	(3)	1,601	1,228	373
9.2	Library Grants	30,719	-	30,719	-	30,719	-	30,719	30,532	187
Total Program 9		32,323	-	32,323	-	32,323	(3)	32,320	31,760	560
10	**Housing Development and Operations**									
10.1	Divisional Support	615	-	615	-	615	-	615	537	78
10.2	Housing Development Program Delivery	1,557	-	1,557	-	1,557	-	1,557	1,350	207
10.3	Affordable and Homeless Housing	100,000	-	100,000	20,190	120,190	-	120,190	120,190	-
10.4	Housing Operations Program Delivery	3,970	-	3,970	-	3,970	-	3,970	3,097	873
10.5	Rent Supplement Program	77,100	-	77,100	-	77,100	-	77,100	58,930	18,170
10.7	Special Needs Housing Providers	5,430	-	5,430	-	5,430	-	5,430	5,315	115
10.8	Assistance to Alberta Social Housing Corporation - Debt Repayment	26,973	-	26,973	-	26,973	-	26,973	26,973	-
10.9	Assistance to Alberta Social Housing Corporation - Housing Providers	-	-	-	-	-	-	-	19,350	(19,350)
Total Program 10		215,645	-	215,645	20,190	235,835	-	235,835	235,742	93
Grand Total		$ 1,265,105	$ 190	$ 1,265,295	$ 392,767	$ 1,658,062	$ (2,565)	$ 1,655,497	$ 1,542,046	$ 113,451
Operating Expense		$ 1,263,915	$ 30,190	$ 1,294,105	$ 327,667	$ 1,621,772	$ (2,565)	$ 1,619,207	$ 1,541,245	$ 77,962
Capital Investment		1,190	(30,000)	(28,810)	65,100	36,290	-	36,290	801	35,489
		$ 1,265,105	$ 190	$ 1,265,295	$ 392,767	$ 1,658,062	$ (2,565)	$ 1,655,497	$ 1,542,046	$ 113,451

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
Comparison of Directly Incurred Expense, Capital Investment and Non-Budgetary Disbursements by Element to Authorized Spending
Year ended March 31, 2012
(in thousands)

Schedule 5
(continued)

[a] The Estimates were restated to reflect the government reorganization on October 12, 2011 (Order in Council 440/2011, 461/2011 and 24/2012). The Department of Municipal Affairs was transferred responsibility for Housing Development and Operations and the related Ministry Support Services from the former Department of Housing and Urban Affairs. The responsibility for the Francophone Secretariat was transferred to the Department of Intergovernmental, International and Aboriginal Relations.

[b] Adjustments to the Estimates include:

- $50 increase in expense and credit or recovery. Treasury Board approval is pursuant to section 24(2) of the *Financial Administration Act*.
- $214 transfer from Infrastructure for emergent capital purposes. Treasury Board approval is pursuant to the *Appropriation Act, 2011*, section 5(3).
- $30,000 transfer from capital investment to expense to provide funding for a grant to the Alberta Social Housing Corporation to allow the Corporation to purchase temporary accommodation units.
- Credit or Recovery Program shortfalls are deducted from the current year authorized budget (Schedule 2).

[c] Supplementary Estimates were approved on December 1, 2011 and March 5, 2012.

[d] Estimate amounts which do not require cash are no longer included in any supply vote. These amounts are now reported as non-cash amounts within the estimate of Amounts Not Required to be Voted. Non-cash amounts include: amortization expense and valuation adjustments and other provisions.

[e] Expenses incurred per Statement of Operations, excluding valuation adjustments and amortization.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
Lottery Fund Estimates
Year ended March 31, 2012
(in thousands)

Schedule 6

	2011-12		
	Lottery Fund Estimates	Actual	Unexpended (Over Expended)
Municipal Sustainability Initiative			
Municipal Sustainability Operating Grants[a]	$ 26,000	$ 26,000	$ -
	$ 26,000	$ 26,000	$ -

[a] The revenue of the Lottery Fund is transferred to the Department of Finance on behalf of the General Revenue Fund. Having been transferred to the General Revenue Fund, these monies then become part of the Department's supply vote. This table shows details of the Municipal Sustainability Operating Grants which is partially funded by the Lottery Fund and compares it to the actual results. The full cost of the Municipal Sustainability Operating Grants is $ 47,894.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS **Schedule 7**
Salary and Benefits Disclosure
Year ended March 31, 2012
(in dollars)

	2012				2011
	Base Salary [a]	Other Cash Benefits [b]	Other Non-Cash Benefits [c]	Total	Total (Restated - Note 3)
Department					
Deputy Minister [d] [e]	$264,576	$ 1,250	$ 77,635	$343,461	$ 330,865
Assistant Deputy Ministers					
Local Government Services	182,508	11,150	50,101	243,759	222,880
Public Safety	185,472	1,250	50,972	237,694	228,885
Corporate Strategic Services	173,955	1,250	49,385	224,590	212,094
Housing Development and Operations	177,037	4,500	47,864	229,401	201,385
Alberta Emergency Management Agency					
Managing Director [d] [e]	181,814	11,085	46,995	239,894	267,523
Former Department of Housing and Urban Affairs					
Deputy Minister [d] [f]	141,918		37,440	179,358	329,299

Prepared in accordance with Treasury Board Directive 12/98 as amended.

[a] Base salary includes pensionable base pay.

[b] Other cash benefits include vacation payouts, lump sum payments and management compensation related to the Government of Alberta's response to the Lesser Slave Lake Region Wildfire. There were no bonuses paid in 2011 or 2012.

[c] Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long-term disability plans, professional memberships and tuition fees.

[d] Automobile provided, no dollar amount included in other non-cash benefits. For the Managing Director position, only the second incumbent had a vehicle.

[e] The position was occupied by two individuals during the year.

[f] The salary and benefits for 2012 represent the period of April 1, 2011 through October 13, 2011. After October 13, 2011 this position no longer existed as a result of restructuring of government departments announced on October 12, 2011; see note 3.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS **Schedule 8**
Related Party Transactions
Year ended March 31, 2012
(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2012	2011 (Restated - Note 3)	2012	2011 (Restated - Note 3)
Revenues				
Fees and charges	$ -	$ -	$ 59	$ 150
	$ -	$ -	$ 59	$ 150
Expenses - Directly Incurred				
Grants	$ 72,816	$ 66,275	$ 2,556	$ -
Business and Technology Services			1,129	1,633
Insurance			109	107
Other Services			454	446
	$ 72,816	$ 66,275	$ 4,248	$ 2,186
Accounts Receivable				
Alberta Social Housing Corporation	$ -	$ 300	$ -	$ -
Accounts Payable				
Alberta Social Housing Corporation	$ 48,855	$ 10,820	$ -	$ -
Agriculture Financial Services Corporation			1,255	
Lakeland College			108	103
	$ 48,855	$ 10,820	$ 1,363	$ 103

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
Related Party Transactions
Year ended March 31, 2012
(in thousands)

Schedule 8
(continued)

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 9.

	Other Entities	
	2012	2011 (Restated - Note 3)
Expenses - Incurred by Others (Schedule 9)		
Accommodation	$ 6,911	$ 4,766
Business Services	2,313	2,307
Air Transportation	110	68
Legal	908	990
	$ 10,242	$ 8,131

The Department paid $47,769 (2011 restated - $44,391) of grants in place of taxes on behalf of other ministries.

DEPARTMENT OF MUNICIPAL AFFAIRS
SCHEDULE TO FINANCIAL STATEMENTS
Allocated Costs
Year ended March 31, 2012
(in thousands)

Schedule 9

	2012					2011
		Expenses - Incurred by Others				(Restated - Note 3)
Program	Expenses[a]	Accommodation Costs[b]	Business Services[c]	Legal Services[d]	Expenses	Expenses
Ministry Support Services	$ 15,950	$ 899	$ 2,423	$ 111	$ 19,383	$ 20,730
Municipal and Assessment Services	21,672	1,631		372	23,675	23,822
Municipal Sustainability Initiative	886,000				886,000	876,000
Grants in Place of Taxes	48,545				48,545	45,197
Regional Collaboration Program	29,553				29,553	12,842
Public Safety	9,942	723		170	10,835	10,678
Alberta Emergency Management Agency	259,902	635		147	260,684	156,584
Municipal Government Board	3,942	186		57	4,185	5,096
Library Services	31,765	88			31,853	32,340
Housing Development and Operations	235,573	2,749		51	238,373	346,956
	$ 1,542,844	$ 6,911	$ 2,423	$ 908	$ 1,553,086	$ 1,530,245

[a] Expenses – Directly Incurred as per Statement of Operations.

[b] Cost shown for Accommodation on Schedule 8, allocated by number of employees.

[c] Business Services includes financial and administrative services and air transportation allocated by estimated costs incurred in each program.

[d] Costs shown for Legal Services on Schedule 8, allocated by estimated costs incurred by each program.

Alberta Social Housing Corporation

Financial Statements

March 31, 2012

Auditor's Report
Statement of Operations
Statement of Financial Position
Statement of Cash Flows
Notes to the Financial Statements
Schedules to the Financial Statements:

1 Revenues
2 Expenses - Directly Incurred Detailed by Object
3 Related Party Transactions
4 Allocated Costs

Independent Auditor's Report

AUDITOR GENERAL *Alberta*

To the Minister of Municipal Affairs

Report on the Financial Statements

I have audited the accompanying financial statements of the Alberta Social Housing Corporation, which comprise the statement of financial position as at March 31, 2012 and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Alberta Social Housing Corporation as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 5, 2012

Edmonton, Alberta

ALBERTA SOCIAL HOUSING CORPORATION

Statement of Operations

Year ended March 31, 2012
(in thousands)

	2012		2011 (Restated - Note 2c)
	Budget	Actual	Actual
Revenues (Schedule 1)			
Internal Government Transfers	$ 26,973	$ 72,816	$ 66,275
Transfers from the Government of Canada	69,286	57,687	60,808
Investment Income	2,025	3,310	2,642
Other Revenue (Note 12)	4,204	20,576	32,292
	102,488	154,389	162,017
Expenses - Directly Incurred (Note 2b and Schedule 4)			
Support to Housing Providers			
Seniors Housing Providers (Note 12)	8,087	3,705	25,665
Community Housing Providers (Note 12)	39,450	39,828	52,610
Other Housing Providers	296	475	148
Insurance	2,355	3,726	3,358
Amortization	23,776	24,497	23,107
Other Asset Administration	175	160	120
Grants in Kind	-	-	9,190
Debt Servicing Costs	15,838	15,855	17,451
	89,977	88,246	131,649
Net Operating Results	$ 12,511	$ 66,143	$ 30,368

The accompanying notes and schedules are part of these financial statements.

ALBERTA SOCIAL HOUSING CORPORATION

Statement of Financial Position

Year ended March 31, 2012

(in thousands)

	2012	2011 (Restated - Note 2c)
Assets		
Cash (Note 3)	$ 269,083	$ 270,784
Accounts Receivable (Note 4)	75,020	30,985
Loans and Advances (Note 5)	7,948	7,708
Tangible Capital Assets (Note 6)	628,379	620,596
	$ 980,430	$ 930,073
Liabilities		
Accounts Payable	$ 82	$ 2,992
Accrued Interest Payable	1,984	2,072
Accrued Liabilities	29,374	15,189
Long-Term Debt (Note 8)	201,554	228,527
	232,994	248,780
Net Assets		
Net Assets at Beginning of Year	681,293	650,925
Net Operating Results	66,143	30,368
Net Assets at End of Year	747,436	681,293
	$ 980,430	$ 930,073

Contractual obligations and contingent liabilities (Notes 9 and 10).

ALBERTA SOCIAL HOUSING CORPORATION

Statement of Cash Flows

Year ended March 31, 2012
(in thousands)

	2012	2011 (Restated - Note 2c)
Operating Transactions		
Net Operating Results	$ 66,143	$ 30,368
Non-cash items included in Net Operating Results		
Amortization of Tangible Capital Assets	24,497	23,107
Grants in Kind	-	9,190
Capital Contributions in Kind	(3,770)	(18,215)
Gain on Disposal of Tangible Capital Assets	(7,054)	(6,326)
Losses on Disposal of Tangible Capital Assets	177	-
	79,993	38,124
(Increase) Decrease in Accounts Receivable	(44,035)	44,059
Increase in Loans and Advances	(240)	(4,555)
(Decrease) Increase in Accounts Payable	(2,910)	129
Increase (Decrease) in Accrued Liabilities	14,185	(32,196)
Decrease in Accrued Interest Payable	(88)	(99)
Cash Provided by Operating Transactions	46,905	45,462
Capital Transactions		
Acquisition of Tangible Capital Assets	(28,827)	(5,989)
Increase in Work-in-Progress	(50)	(1,143)
Proceeds on Disposal of Tangible Capital Assets	7,244	298
Cash Applied to Capital Transactions	(21,633)	(6,834)
Financing Transactions		
Repayment of Long-Term Debt	(26,973)	(25,385)
Cash Applied to Financing Transactions	(26,973)	(25,385)
(Decrease) Increase in Cash	(1,701)	13,243
Cash, Beginning of Year	270,784	257,541
Cash, End of Year	$ 269,083	$ 270,784

The accompanying notes and schedules are part of these financial statements.

ALBERTA SOCIAL HOUSING CORPORATION

Notes to the Financial Statements

Year Ended March 31, 2012

Note 1 Authority and Purpose

The Alberta Social Housing Corporation (the Corporation) operates under the authority of the *Alberta Housing Act*, Chapter A-25, Revised Statutes of Alberta 2000. The Act is jointly administered by the Department of Municipal Affairs and the Department of Seniors.

The Corporation's primary purpose is to facilitate the provision of affordable housing options, through community management bodies, to low-income families and individuals and those with special needs, and administer seniors housing. The Corporation owns and administers the Crown's portfolio of housing assets and manages provincial debts and agreements associated with those assets. This includes administering the sale of provincially owned properties no longer efficient or effective for social housing programs.

The Corporation also oversees the provincial commitments and entitlements remaining from discontinued business activities such as mortgages and loan guarantees. It also directly operates and acts as the landlord for a small portion of units classified as "rural housing."

The Corporation is a crown agent of the Government of Alberta and as such has a tax exempt status.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The reporting entity is the Corporation, which is part of the Ministry of Municipal Affairs and for which the Minister of Municipal Affairs is accountable. The other entities reporting to the Minister is the Department of Municipal Affairs and the Safety Codes Council. The activities of the Department of Municipal Affairs and the Safety Codes Council are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return. Internal government transfers are recognized as revenue when received.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (Cont'd)

(b) Basis of Financial Reporting (Cont'd)

Revenues (Cont'd)

Transfers from Government of Canada

Transfers from Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Expenses

Directly Incurred

Directly incurred expenses are those costs for which the Corporation has primary responsibility and accountability, as reflected in the Government's budget documents.

In addition to program operating expenses such as supplies and services, directly incurred expenses also include:

- Amortization of tangible capital assets.
- Debt servicing costs.

Grant Expense

Grants are recognized as expenses when authorized, eligibility criteria if any are met and a reasonable estimate of the amounts can be made.

Incurred by Others

Services contributed by other government entities in support of the Corporation's operations are not recognized and are disclosed in Schedule 3 and allocated to programs in Schedule 4.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Corporation are limited to financial claims, such as advances to and receivables from other organizations and individuals.

Loans and advances are recorded at cost less provisions for estimated losses. Cost includes amounts advanced, accrued interest and other charges, less repayments and subsidies. Loans and advances include mortgages and advances to housing providers to address short-term cash flow needs for specified projects and operating pressures.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (Cont'd)

(b) Basis of Financial Reporting (Cont'd)

Assets (Cont'd)

Tangible capital assets of the Corporation are recorded at historical cost and, except land, are amortized on a straight-line basis over the estimated useful lives of the assets. Amortization is only recorded if the asset is in use. All land is capitalized. The threshold for all other tangible capital assets is $5,000.

Capital contributions in kind are recorded at their fair value at the time of contribution.

When physical assets (tangible capital assets and inventories) are gifted or sold for a nominal sum, the fair values of these physical assets net nominal proceeds or expenses incurred in the sale or disposal process are recorded as grants in kind.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in a sacrifice of economic benefits in the future.

Net Assets

Net Assets represents the difference between the carrying value of assets held by the Corporation and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Corporation operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable, accounts payable, accrued liabilities, and accrued interest payable are estimated to approximate their carrying values because of the short term nature of these instruments. Fair values of loans and advances are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timelines or cost to estimate the fair value with sufficient reliability. The fair value of long-term debt is disclosed in Note 8.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (Cont'd)

(c) Government Reorganization

(in thousands)

The Parsons Creek program for Land Development Program Delivery and Assistance to Alberta Social Housing Corporation Land Development was transferred to the Department of Infrastructure as a result of restructuring of government ministries announced on October 12, 2011. Comparatives for 2011 have been restated as if the Corporation had never been assigned with this responsibility. Net assets (liabilities) on March 31, 2010 are made up as follows:

Net Assets as previously reported	$	656,272
Transfer to the Department of Infrastructure		(5,347)
Net Assets as at March 31, 2010	$	650,925

As part of this transfer, 41 acres of land in Parsons Creek will be transferred at a future date to the Alberta Social Housing Corporation from the Department of Infrastructure for the purpose of affordable housing.

Note 3 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. CCITF is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at March 31, 2012, securities held in the CCITF have a time-weighted return of 1.3 % per annum (2011 – 1.1% per annum).

Note 4 Accounts Receivable

(in thousands)

	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Department of Municipal Affairs	$ 48,855	$ -	$ 48,855	$ 10,820
Housing Providers	10,696	-	10,696	13,099
Risk Management Insurance	12,957	-	12,957	5,574
Other	2,545	(33)	2,512	1,492
	$ 75,053	$ (33)	$ 75,020	$ 30,985

Accounts receivable are unsecured and non-interest bearing.

Note 5 Loans and Advances

(in thousands)

	2012			2011
	Loan/Advance	Allowance for Losses	Net Realizable Value	Net Realizable Value
Rural and Native [a]	$ 1,484	$ -	$ 1,484	$ 2,182
Housing Providers' Reserves [b]	5,128	-	5,128	5,128
Other Loans and Advances	1,336	-	1,336	398
	$ 7,948	$ -	$ 7,948	$ 7,708

a) Mortgages receivable provided under the Rural and Native Housing program are repayable over an amortization period of 25 years with a five-year interest renewal term.

b) Housing Providers are provided an advance based on the number of housing units under management in order to address short-term operating cash flow requirements during the year. These cash advances can be collected at any time at the discretion of the Minister. These funds are required to be replenished.

Note 6 Tangible Capital Assets

(in thousands)

	2012				2011
	Land	Buildings	Emergency Housing	Total	Total
Estimated useful life	Indefinite	10-50 years[a]	10 years		
Historical Cost					
Beginning of year	$ 113,921	$ 1,112,229	$ 458	$ 1,226,608	$ 1,206,083
Additions	1,364	5,915	25,318	32,597	23,761
Additions (Work-in-progress)	-	50	-	50	1,587
Disposals	(163)	(675)	-	(838)	(4,823)
	$ 115,122	$ 1,117,519	$ 25,776	$ 1,258,417	$ 1,226,608
Accumulated Amortization					
Beginning of year	$ -	$ 605,991	$ 21	$ 606,012	$ 584,580
Amortization expense	-	23,401	1,096	24,497	23,107
Effect of disposals	-	(471)	-	(471)	(1,675)
	$ -	$ 628,921	$ 1,117	$ 630,038	$ 606,012
Net book value at March 31, 2012	$ 115,122	$ 488,598	$ 24,659	$ 628,379	
Net book value at March 31, 2011	$ 113,921	$ 506,238	$ 437		$ 620,596

a) Seniors and special needs buildings are amortized over 50 years, community housing buildings over 40 to 50 years, and all other buildings over 10 to 25 years.

Note 7 Guarantees and Indemnities

(in thousands)

The Corporation has no outstanding guarantees at year end (2011 - $9,086).

Note 8 Long-Term Debt

(in thousands)

The Corporation's long-term debt and exposure to interest rate risk are summarized as follows:

	2012	2011
Canada Mortgage and Housing Corporation [a]	69,011	$ 70,972
Alberta Finance [b]	132,543	157,555
	$ 201,554	$ 228,527

a) Debentures maturing January 2023 to January 2030, with a weighted average effective rate of 9.655%.

b) Note payable maturing September 16, 2016, with an effective rate of 5.93%.

The Province of Alberta guarantees the repayment of principal and interest on all borrowings. The debentures, including interest thereon, are repayable in equal annual or semi-annual installments and the note payable is repayable in equal semi-annual installments.

Approximate aggregate repayments of principal in each of the next five years are:

2013	$ 28,664
2014	30,463
2015	32,378
2016	34,415
2017	19,588
Thereafter	56,046
	$ 201,554

Long-term debt has a fair value of $ 102,122 (2011 - $99,774) for Canada Mortgage and Housing Corporation debentures and $ 145,950 (2011 - $172,108) for the note payable to Alberta Finance. Fair values for debt are based on the Province of Alberta's current borrowing rates which are available to the Corporation for debt with similar terms and maturities.

Note 9 Contractual Obligations

(in thousands)

Contractual obligations are obligations of the Corporation that will become liabilities in the future when the terms of the relevant contracts or agreements are met. Grants for housing providers approved for future years have been included as an obligation.

	2012	2011 (Restated - Note 2c)
Obligations under contracts and programs		
Obligations under programs[a]	$ 122,326	$ 133,851
Long-term leases[b]	37,380	38,449
	$ 159,706	$ 172,300

(a) Grants committed for future years.

(b) The Corporation leases land under various leases for the purpose of providing social housing.

Obligations Under Contracts and Programs

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Obligations under programs	Long-term leases	Total
2012-13	11,400	1,347	$ 12,747
2013-14	11,400	1,347	$ 12,747
2014-15	11,400	1,347	$ 12,747
2015-16	11,400	1,347	$ 12,747
2016-17	11,400	1,347	$ 12,747
Thereafter	65,326	30,645	$ 95,971
	$ 122,326	$ 37,380	$ 159,706

Note 10 Contingent Liabilities

(in thousands)

At March 31, 2012, the Corporation is a defendant in seven legal claims (2011 – nine legal claims). These claims have specified amounts totaling $2,058 (2011 – nine claims with a specified amount of $3,181).

Included in the total legal claims are six legal claims amounting to $1,188 (2011 – eight legal claims amounting to $2,286) in which the Corporation has been jointly named with other entities. The Alberta Risk Management Fund covers six claims amounting to $1,188 (2011 – six claims amounting to $1,179).

The resulting loss, if any, from these claims cannot be determined.

Note 11 Program Recoveries

The Canada Mortgage and Housing Corporation (CMHC) provides contributions toward subsidies of rental properties and mortgages receivable and for certain capital costs, the administration expenses and net operating results of approved community housing projects through cost-sharing agreements. CMHC also provides contributions for net operating results of approved seniors housing projects.

Note 12 Housing Providers

The Corporation supports the provision of seniors and community housing through housing providers. Grants are provided to cover operating deficits of specific programs, and recoveries (revenues) are received from operating surpluses. Costs for property insurance, amortization and interest on long-term debt are incurred and recorded by the Corporation; housing providers do not incur or record these expenses.

Note 13 Salaries and Benefits

The Corporation has no salaries or benefits to disclose under Treasury Board Directive 12/98 as amended due to the Corporation having no employees. The Department of Municipal Affairs staff administers the Corporation, and the estimated value of these services is included in Schedule 3 as an expense incurred by others.

The Corporation did not pay honoraria to its Board members.

Note 14 Comparative Figures

Certain 2011 figures have been reclassified to conform to the 2012 presentation.

Note 15 Approval of Financial Statements

The financial statements were approved by the Senior Financial Officer of the Department of Municipal Affairs and the President of the Alberta Social Housing Corporation.

ALBERTA SOCIAL HOUSING CORPORATION

Schedule 1 - Revenues

Year ended March 31, 2012
(in thousands)

	2012		2011 (Restated Note 2c)
	Budget	Actual	Actual
Internal Government Transfers			
Transfers from Department of Municipal Affairs			
Debt Repayments	$ 26,973	$ 26,973	$ 22,136
Housing Providers	-	-	43,680
Emergency Housing	-	26,493	459
Other Operating Grants	-	19,350	-
	26,973	72,816	66,275
Transfers from the Government of Canada			
Recoveries from Canada Mortgage and Housing Corporation (Note 11)	69,286	57,687	60,808
Investment Income			
Bank and Other	2,000	3,332	2,635
Mortgages	25	(22)	7
	2,025	3,310	2,642
Other Revenue			
Contributions in Kind			
Contribution from Housing Providers and Third Parties	-	3,770	7,611
Contribution of Assets Funded by Prior Year Government Grants from Another Ministry	-	-	10,604
Miscellaneous		-	19
Gains from Disposal of Tangible Capital Assets	2,597	7,054	6,326
Judgement Recoveries	-	185	-
Recoveries from Housing Providers (Note 12)	1,500	7,933	6,819
Refunds of Expenditures	-	112	805
Rental Revenues	107	1,522	108
	4,204	20,576	32,292
Total Revenues	$ 102,488	$ 154,389	$ 162,017

ALBERTA SOCIAL HOUSING CORPORATION

Schedule 2 - Expenses - Directly Incurred Detailed by Object

Year ended March 31, 2012
(in thousands)

	2012		2011
	Budget	Actual	Actual
Supplies and Services	$ 2,550	$ 4,819	$ 4,567
Grants	47,803	42,862	86,537
Debt Servicing Costs	15,838	15,855	17,451
Amortization of Tangible Capital Assets	23,776	24,497	23,107
Other	10	213	(13)
	$ 89,977	$ 88,246	$ 131,649

ALBERTA SOCIAL HOUSING CORPORATION

Schedule 3 - Related Party Transactions

Year ended March 31, 2012
(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Corporation.

The Corporation paid or collected certain taxes and fees set by regulation for premiums, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Corporation had the following transactions with related parties recorded on the Statements of Operations and the Statements of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2012	2011	2012	2011
Revenues				
Internal Government Transfers	$ 72,816	$ 66,275	$ -	$ -
Expenses - Directly Incurred				
Risk Management and Insurance	$ -	$ -	$ 1,880	$ 1,759
Debt Servicing Costs	-	-	9,035	10,476
	$ -	$ -	$ 10,915	$ 12,235
Accounts Receivable				
Risk Management and Insurance	$ -	$ -	$ 12,957	$ 5,574
Alberta Finance			260	379
Department of Municipal Affairs	48,855	10,820	-	-
	$ 48,855	$ 10,820	$ 13,217	$ 5,953
Accounts Payable				
Alberta Finance [1]	$ -	$ -	$ 132,866	$ 157,940
Risk Management and Insurance	-	-	359	-
Department of Municipal Affairs	-	300	-	-
Alberta Infrastructure	-	-	879	762
	$ -	$ 300	$ 134,104	$ 158,702

[1] Debt and accrued interest on debt.

ALBERTA SOCIAL HOUSING CORPORATION

Schedule 3 - Related Party Transactions (Cont'd)

Year ended March 31, 2012
(in thousands)

The Corporation also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 4.

	Entities in the Ministry		Other Entities	
	2012	2011	2012	2011
Expenses - Incurred by Others (Schedule 4)				
Salaries and wages	$ 2,400	$ 2,645	$ -	$ -
Supplies and services	666	1,419	-	-
Accommodation	-	-	1,310	1,230
Internal Audit	-	-	-	25
Legal	-	-	102	42
	$ 3,066	$ 4,064	$ 1,412	$ 1,297

ALBERTA SOCIAL HOUSING CORPORATION

Schedule 4 - Allocated Costs

Year ended March 31, 2012

(in thousands)

	2012								2011
	Expenses - Directly Incurred[1]				Expenses - Incurred by Others[2]				
	Expenses	Debt Servicing Costs	Amortization	Insurance	Other Services[3]	Accommo-dation	Legal	Total Expenses	Total Expenses
Seniors Housing Providers	3,705	8,298	15,729	2,500	2,057	879	8	33,176	$ 67,111
Community Housing	39,828	7,529	7,611	1,217	1,002	428	90	57,705	72,000
Other Housing	475	28	1,157	9	7	3	4	1,683	293
Other Asset Administration	160	-	-	-	-	-	-	160	119
	$ 44,168	$ 15,855	$ 24,497	$ 3,726	$ 3,066	$ 1,310	$ 102	$ 92,724	$ 139,523

[1] Expenses - Directly Incurred as per Statement of Operations.

[2] Costs shown for Expenses - Incurred by Others are as disclosed in Schedule 3.

[3] Other Services includes salaries and wages, and supplies and services.

Financial Statements of

SAFETY CODES COUNCIL

Year ended December 31, 2011

Financial Statements

- Statement of Financial Position
- Statement of Operations
- Statement of Changes in Net Assets
- Statement of Changes in Remeasurement Gains
- Statement of Cash Flows
- Notes to Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Members of Safety Codes Council

We have audited the accompanying financial statements of Safety Codes Council (the "Council"), which comprise the statement of financial position as at December 31, 2011, and the statements of operations, changes in net assets, changes in remeasurement gains and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Operating fees received from municipalities and agencies are collected on behalf of the Council, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of operating fees revenue from municipalities and agencies was limited to the amounts recorded in the records of the Council and we were not able to determine whether any adjustments might be necessary to operating fees revenue, excess of revenues over expenses, accounts receivable and unrestricted net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative Information

We draw your attention to note 1(a) which describes that the Council adopted Canadian public sector accounting standards on January 1, 2011 with a transition date of January 1, 2010. These standards were applied retrospectively by management to comparative information in these financial statements, including the statement of financial position as at December 31, 2010 and January 1, 2010, and the statements of operations, changes in net assets, changes in remeasurement gains and cash flows for the year ended December 31, 2010 and related disclosures. We were not engaged to report on the restated comparative information prepared under Canadian public sector accounting standards adopted January 1, 2011 by the Council, and as such, it is considered unaudited.

[Original signed by KPMG LLP]

Chartered Accountants

April 2, 2012
Edmonton, Canada

SAFETY CODES COUNCIL

Statement of Financial Position

December 31, 2011, with comparative figures for December 31, 2010 and January 1, 2010

	December 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current assets:			
Cash	$ 452,336	$ 752,827	$ 226,447
Accounts receivable	489,554	440,700	386,646
Prepaid expenses and deposits	118,377	123,228	93,876
	1,060,267	1,316,755	706,969
Portfolio investments (note 2)	4,474,585	3,936,271	3,507,985
Capital assets (note 3)	1,110,489	783,577	829,235
	$ 6,645,341	$ 6,036,603	$ 5,044,189
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	$ 475,193	$ 228,125	$ 198,543
Grants repayable (note 4)	140,594	-	116,467
Deferred revenue (note 4)	329,439	826,867	124,828
Current portion of deferred lease inducement	6,491	6,491	6,491
	951,717	1,061,483	446,329
Deferred lease inducement	32,998	39,489	45,980
Net assets:			
Unrestricted	1,429,400	1,152,054	722,645
Internally restricted (note 5)	3,000,000	3,000,000	3,000,000
Invested in capital assets	1,110,489	783,577	829,235
Accumulated remeasurement gains	120,737	-	-
	5,660,626	4,935,631	4,551,880
Commitments (note 7)			
	$ 6,645,341	$ 6,036,603	$ 5,044,189

See accompanying notes to financial statements.

On behalf of the Council:

Member

Member

Member

Member

SAFETY CODES COUNCIL

Statement of Operations

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Revenues:		
Operating fees:		
Municipalities and agencies	$ 4,261,031	$ 3,889,946
Corporations	409,920	416,640
Grants (note 4)	369,584	168,828
Course and exam fees (note 4)	371,853	405,235
Investment income (note 6)	104,091	118,708
Master Electricians Program certification fees	149,915	-
Certification (note 4)	50,326	48,623
Annual conference	43,827	25,227
Other revenues and recoveries	27,551	14,871
Application development	24,277	259,398
Designation of powers	20,275	19,175
Appeals	9,000	7,800
Accreditation	4,500	2,350
	5,846,150	5,376,801
Expenses:		
Salaries and benefits (note 8)	3,003,647	2,308,103
Office rental	374,461	357,215
Contractors and consultants	277,412	824,339
Annual conference	198,707	182,616
Course and seminar costs	168,499	136,806
Amortization of capital assets	164,423	175,630
New course version	122,168	122,979
Office and general	120,903	130,509
Electronic business solutions	113,574	92,015
Publications	105,240	71,452
Travel (note 8)	101,769	107,071
Appeals	100,041	66,780
Meetings	67,095	47,457
New course development	60,241	63,708
Special training programs	58,324	10,800
Professional fees	63,314	65,505
Insurance	38,867	38,993
Honoraria (note 8)	31,375	21,278
Bank and investment service charges	30,585	26,772
Consulting fees	15,968	50,449
Test bank validations	7,971	25,347
Loss on disposal of capital assets	7,549	21,948
Corporate memberships	4,884	3,025
Electronic conversion	4,725	9,986
Code update training	150	30,804
Office relocation	-	1,101
Course revisions	-	362
	5,241,892	4,993,050
Excess of revenues over expenses	$ 604,258	$ 383,751

See accompanying notes to financial statements.

SAFETY CODES COUNCIL

Statement of Changes in Net Assets

Year ended December 31, 2011, with comparative figures for 2010

	Unrestricted	Internally restricted	Invested in capital assets	Accumulated remeasurement gains	2011 Total	2010 Total
Balance, beginning of year	$ 1,152,054	$ 3,000,000	$ 783,577	$ -	$ 4,935,631	$ 4,551,880
Excess (deficiency) of revenues over expenses	776,230	-	(171,972)	-	604,258	383,751
Net remeasurement gains for the year	-	-	-	120,737	120,737	-
Investment in capital assets, net	(498,884)	-	498,884	-	-	-
Balance, end of year	$ 1,429,400	$ 3,000,000	$ 1,110,489	$ 120,737	$ 5,660,626	$ 4,935,631

Statement of Changes in Remeasurement Gains

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Accumulated remeasurement gains, beginning of year	$ -	$ -
Unrealized gains attributable to portfolio investments	120,737	-
Accumulated remeasurement gains, end of year	$ 120,737	$ -

See accompanying notes to financial statements.

SAFETY CODES COUNCIL

Statement of Cash Flows

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	$ 604,258	$ 383,751
Items not involving cash:		
Realized loss on disposal of portfolio investments	10,315	10,346
Unrealized change in fair value of portfolio investments	-	(39,682)
Amortization of capital assets	164,423	175,630
Loss on disposal of capital assets	7,549	21,948
Amortization of deferred lease inducement	(6,491)	(6,491)
Changes in non-cash operating working capital:		
Accounts receivable	(48,854)	(54,054)
Prepaid expenses and deposits	4,851	(29,352)
Accounts payable and accrued liabilities	247,068	29,582
Deferred revenue	(497,428)	702,039
Grants repayable	140,594	(116,467)
	626,285	1,077,250
Capital activities:		
Purchase of capital assets	(498,884)	(151,920)
Investing activities:		
Reinvested net investment income from portfolio investments	(112,892)	(88,950)
Purchase of portfolio investments	(495,000)	(558,000)
Proceeds from disposition of portfolio investments	180,000	248,000
	(427,892)	(398,950)
Increase (decrease) in cash	(300,491)	526,380
Cash, beginning of year	752,827	226,447
Cash, end of year	$ 452,336	$ 752,827
Supplemental cash flow information:		
Bank and investment service charges paid	$ 30,585	$ 26,772

See accompanying notes to financial statements.

SAFETY CODES COUNCIL

Notes to Financial Statements

Year ended December 31, 2011

The Safety Codes Council (the "Council") is a corporation established under the Safety Codes Act of the Province of Alberta (Revised Statutes of Alberta 2000, Chapter S-1). The industry-based Council is comprised of a Council Chair, a Coordinating Committee, a Technical Coordinating Committee and Sub-councils in the following areas: amusement rides, boilers and pressure vessels, buildings, electrical, elevators, fire, gas, plumbing, barrier free and passenger ropeways.

The Council is responsible for reviewing, formulating and managing significant components of the administration of Alberta's safety system. The Council's mandate is to:

- develop and recommend safety codes and standards;
- promote uniform safety standards and practices;
- develop and administer a program to certify and designate Safety Codes Officers;
- develop and administer a program to accredit safety system partners;
- administer appeals for certification, accreditation and orders issued under the Safety Codes Act;
- establish and operate safety information and training programs;
- develop and administer a province wide electronic permitting system for use by accredited entities administering the Safety Codes Act; and
- engage in any other activities as directed by the Minister responsible for the Safety Codes Act.

1. Significant accounting policies:

These financial statements are prepared by management in accordance with Canadian public sector accounting standards. As a government not-for-profit organization, the Council has elected to follow the standards for not-for-profit organizations in the CICA Public Sector Accounting Handbook. The Council's significant accounting policies are as follows:

(a) Basis of presentation:

On January 1, 2011, the Council adopted Canadian public sector accounting standards. These are the first financial statements prepared in accordance with Canadian public sector accounting standards.

1. Significant accounting policies (continued):

(a) Basis of presentation (continued):

In accordance with the transitional provisions in Canadian public sector accounting standards, the Council has adopted the changes retrospectively, subject to certain elections allowed under these standards. The transition date is January 1, 2010 and all comparative information provided has been presented by applying Canadian public sector accounting standards. In addition, the Council has elected to early adopt Section PS 3450 "Financial Instruments" and Section PS 2601 "Foreign Currency Translation" in the current year. In accordance with the transitional provisions in PS 3450 and PS 2601, the Council has applied the standards prospectively. Comparative amounts are presented in accordance with the accounting policies applied by the Council immediately preceding its adoption of Canadian public sector accounting standards.

No transitional adjustments were required as a result of the transition to Canadian public sector accounting standards or from the early adoption of Sections PS 3450 and PS 2601 "Financial Instruments" and PS 2601 "Foreign Currency Translation".

(b) Financial instruments:

Financial assets classified as fair value instruments include cash and portfolio investments and are measured at fair value. Financial assets and liabilities classified as cost or amortized cost instruments are accounts receivable, accounts payable and accrued liabilities and grants repayable and are initially measured at fair value and subsequent periodical revaluations are recorded at amortized cost using the effective interest rate method.

Transaction costs associated with the acquisition and disposal of investments are expensed as incurred. Investment management fees are expensed as incurred. The purchase and sale of investments are accounted for using trade-date accounting.

The Council measures and recognizes embedded derivatives separately from the host contract when the economic characteristics and risk of the embedded derivative are not closely related to those of the host contract, when it meets the definition of a derivative and when the entire contract is not measured at fair value. Embedded derivatives are recorded at fair value. For the year ended December 31, 2011, the Council does not have any derivatives that need to be recorded at fair value in its financial statements nor any embedded derivatives in its contractual arrangements that must be separated from the host contract and accounted for separately.

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2011

1. Significant accounting policies (continued):

(c) Capital assets:

Capital assets are recorded at cost. Amortization is calculated using the following methods and annual rates:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Equipment	Declining balance	20%
Computer hardware	Declining balance	30%
Computer software	Declining balance	30%
Leasehold improvements	Straight line	Over lease term

Copyrights are not amortized.

(d) Deferred lease inducement:

Deferred lease inducement represents the unamortized value of an inducement received when the Council entered into a lease arrangement for the rental of office space. Amortization is provided on a straight-line basis over the term of the related lease as a reduction in office rent.

(e) Revenue recognition:

The Council follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Other revenues including operating fees from municipalities and agencies, corporations, courses and exams, Master Electrician Program certification fees, certification, annual conference, designation of powers, appeals and accreditation are recorded as they are earned. Other revenues that relate to future years are reflected as deferred revenue.

1. Significant accounting policies (continued):

(e) Revenue recognition (continued):

Investment income includes interest income and realized and unrealized investment gains and losses.

Unrealized gains and losses on fair value financial instruments are included in investment income and recognized as revenue in the statement of operations, deferred or reported directly in net assets, depending on the nature of any external restrictions imposed on the investment income. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Other unrestricted investment income is recognized as revenue when earned.

(f) Contributed services:

Contributed supplies and services that would otherwise have been purchased are recorded as contributions and expenses. Such transactions are measured at the fair value at the date of contribution, when a fair value can be reasonably determined.

(g) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ from those estimates.

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2011

2. Portfolio investments:

	December 31, 2011	December 31, 2010	January 1, 2010
Cash and money market securities	$ 337,502	$ 4,300	$ 74,928
Federal and provincial government bonds, coupons and residuals, with stated interest rates of 3.90% to 4.10% (2010 - 1.25% to 4.11%) and maturity dates up to 2021	1,476,735	1,424,901	1,730,600
Corporate bonds, debentures, and coupons, with stated interest rates of 4.03% to 6.17% (2010 - 4.03% to 6.17%) with maturity dates up to 2023	1,749,884	1,822,385	1,362,563
Corporate cumulative and non-cumulative preferred shares, with stated interest rates of 4.20% to 5.35% (2010 - 4.50% to 5.35%)	336,690	271,366	263,878
Canadian common shares	573,774	413,319	76,016
	$ 4,474,585	$ 3,936,271	$ 3,507,985

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2011

3. Capital assets:

December 31, 2011	Cost	Accumulated amortization	Net book value
Furniture and fixtures	$ 224,514	$ 147,635	$ 76,879
Equipment	48,771	26,862	21,909
Computer hardware	352,155	220,937	131,218
Computer software	215,571	127,874	87,697
Leasehold improvements	1,002,170	221,151	781,019
Copyright	11,767	-	11,767
	$ 1,854,948	$ 744,459	$ 1,110,489

December 31, 2010	Cost	Accumulated amortization	Net book value
Furniture and fixtures	$ 216,783	$ 129,281	$ 87,502
Equipment	43,063	22,693	20,370
Computer hardware	318,971	192,784	126,187
Computer software	199,034	98,521	100,513
Leasehold improvements	609,232	160,227	449,005
	$ 1,387,083	$ 603,506	$ 783,577

January 1, 2010	Cost	Accumulated amortization	Net book value
Furniture and fixtures	$ 208,340	$ 108,280	$ 100,060
Equipment	38,639	17,920	20,719
Computer hardware	262,392	152,815	109,577
Computer software	172,829	83,878	88,951
Leasehold improvements	609,232	99,304	509,928
	$ 1,291,432	$ 462,197	$ 829,235

SAFETY CODES COUNCIL

Notes to Financial Statements (continued)

Year ended December 31, 2011

4. Deferred revenue:

2011	Deferred revenue, beginning of year	Amounts received / receivable	Revenue recognized, net	Amounts repaid / repayable	Deferred revenue, end of year
Grants					
Information technology	$ 65,200	$ -	$ 41,272	$ -	$ 106,472
Objective based industrial electrical code	51,524	157	(47,862)	(3,819)	-
e-Site enhancement	167,970	2,669	(79,087)	-	91,552
Building envelope training	140,500	1,600	(113,721)	(28,379)	-
Risk based inspection regime	276,053	2,529	(170,186)	(108,396)	-
	701,247	6,955	(369,584)	(140,594)	198,024
Other amounts					
Operating fees	2,835	4,668,116	(4,670,951)	-	-
Course and exam fees	18,878	376,084	(371,853)	-	23,109
Certification	103,907	54,725	(50,326)	-	108,306
	$ 826,867	$ 5,105,880	$ (5,462,714)	$ (140,594)	$ 329,439

4. Deferred revenue (continued):

2010	Deferred revenue, January 1, 2010	Amounts received / receivable	Revenue recognized	Amounts repaid / repayable	Deferred revenue, December 31, 2010
Grants					
Information technology	$ -	$ 116,831	$ (51,631)	$ -	$ 65,200
Objective based industrial electrical code	-	100,376	(48,852)	-	51,524
e-Site enhancement	-	200,794	(32,824)	-	167,970
Building envelope training	-	160,733	(20,233)	-	140,500
Risk based inspection regime	-	291,341	(15,288)	-	276,053
	-	870,075	(168,828)	-	701,247
Other amounts					
Operating fees	5,927	4,303,494	(4,306,586)	-	2,835
Course and exam fees	25,222	398,891	(405,235)	-	18,878
Certification	93,679	58,851	(48,623)	-	103,907
	$ 124,828	$ 5,631,311	$ (4,929,272)	$ -	$ 826,867

4. Deferred revenue (continued):

Information Technology

On July 18, 2008, the Council entered into an agreement with the Province of Alberta as represented by the Minister of Municipal Affairs to undertake an enhancement upgrade to e-Site. The grant specified four deliverables to establish 1) An IT system in e-Site for Development Permits, 2) An IT system in e-Site for Orders and Variances external data entry, 3) An IT system in e-Site for Underground Petroleum Tank site Remediation (PTRP) and 4) Establish an IT system in e-Site for Municipal Monitoring. The IT in Support of the Safety System project has a total proposed budget of $182,400 to be funded by the Province of Alberta. The grant agreement initially expired on April 30, 2009. The Minister of Municipal Affairs agreed to extend the project completion date to December 31, 2012. To December 31, 2011, total eligible expenditures incurred under the amended agreement were $73,069 (2010 - $73,069).

Objective Based Industrial Electrical Code (OBIEC)

On April 21, 2010, the Council entered into an agreement with the Province of Alberta as represented by the Minister of Municipal Affairs to undertake an analysis of the Objective Based Industrial Electrical Code. The OBIEC project has a total proposed budget of $105,000, to be funded with $100,000 by the Province of Alberta and the remainder to be provided by the Council. The grant agreement expires on December 31, 2011. To December 31, 2011, total eligible expenditures incurred under the agreement were $96,714 (2010 - $48,852).

e-Site Enhancement

On April 21, 2010, the Council entered into an agreement with the Province of Alberta as represented by the Minister of Municipal Affairs to undertake an enhancement upgrade to e-Site. The e-Site Enhancement project has a total proposed budget of $210,000, to be funded with $200,000 by the Province of Alberta and the remainder to be provided by the Council. The grant agreement initially expired on December 31, 2011. The Minister of Municipal Affairs agreed to extend the project completion date to December 31, 2012. To December 31, 2011, total eligible expenditures incurred under the agreement were $111,911 (2010 - $32,824).

4. Deferred revenue (continued):

Building Envelope Training (BET)

On April 21, 2010, the Council entered into an agreement with the Province of Alberta as represented by the Minister of Municipal Affairs to undertake the development of a building envelope training program for safety codes officers. The BET project has a total proposed budget of $160,000 to be funded by the Province of Alberta. The grant agreement expires on December 31, 2011. To December 31, 2011, total eligible expenditures incurred under the agreement were $133,954 (2010 - $20,233).

Risk Based Inspection Regime (RBIR)

On April 21, 2010, the Council entered into an agreement with the Province of Alberta as represented by the Minister of Municipal Affairs to undertake an assessment of utilizing a risk-based inspection regime. The RBIR project has a total proposed budget of $300,000, to be funded with $290,000 by the Province of Alberta and the remainder to be provided by the Council. The grant agreement expires on December 31, 2012. To December 31, 2011, total eligible expenditures incurred under the agreement were $185,474 (2010 - $15,288).

5. Internally restricted net assets:

The Council maintains internally restricted net assets in the amount of $3,000,000 to minimize the impact of short-term fluctuations in operating fee revenues on its ability to meet its mandate. Access to the restricted net assets is granted by resolution of the Coordinating Committee.

6. Investment income:

Investment income is comprised of the following:

	2011	2010
Interest and dividends	$ 114,406	$ 89,372
Realized losses on disposal of portfolio investments	(10,315)	(10,346)
Unrealized change in fair value of portfolio investments	-	39,682
	$ 104,091	$ 118,708

7. Commitments:

The Council is committed under an operating lease for its office premises which expires April 30, 2018. The Council also leases photocopiers and a postage machine with related service contracts, expiring March 2014 and August 2015.

2012	$ 262,662
2013	274,964
2014	267,626
2015	264,166
2016	260,964
Thereafter	347,951

The Council is also responsible for their share of operating costs related to the office premises lease.

8. Remuneration and other costs disclosure:

Coordinating Committee members are remunerated by the schedules as set out by Order in Council 466/2007. Remuneration is comprised of $31,375 (2010 - $21,278) included in honoraria expense and $nil (2010 - $9,600) in salaries and benefit expense. Other costs consist of travel and accommodation related to meetings attendance which are included in travel expense.

	2011	2010
Coordinating Committee members:		
Remuneration	$ 31,375	$ 30,878
Other	10,598	12,115
	$ 41,973	$ 42,993

9. Related party transactions:

Transactions with Alberta Municipal Affairs are considered to be in the normal course of operations. Amounts due to Alberta Municipal Affairs and the recorded amounts of the transactions are included with these financial statements unless otherwise stated.

The balance of grants repayable and deferred revenue on the statement of financial position is due to Alberta Municipal Affairs and grant revenue of $361,662 (2010 - $168,828) on the statement of operations is from Alberta Municipal Affairs.

Alberta Municipal Affairs currently provides certain services to the Council including a monitoring service of accredited entities as part of the Municipal Support Program, at no cost. As a result of the difficulty in determining the fair value of these services, contributed services are not recognized in the financial statements.

10. Financial instruments:

(a) Fair value of financial assets and financial liabilities:

Fair values of investments are described in note 2. The fair values of the other financial assets and liabilities, being cash, accounts receivable, accounts payable and accrued liabilities and grants repayable approximate their carrying values due to the short-term nature of these financial instruments.

Fair value measurements recognized in the statement of operations are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values.

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for assets and liabilities that are not based on observable market data.

As at December 31, 2011, the Council's cash and money market securities and Canadian common shares are classified as Level 1 and the Council's Federal and provincial government bonds, coupons and residuals, corporate bonds, debentures and coupons and corporate cumulative and non-cumulative preferred shares are classified as Level 2.

10. Financial instruments (continued):

(b) Associated risks:

The Council is exposed to a number of different financial risks arising from its use of financial instruments, including market price risk, liquidity risk, credit risk and interest rate risk. The Council's overall risk management processes are designed to identify, manage and mitigate business risk.

Market price risk

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As all of the Council's investments are carried at fair value with fair value changes recognized in the statement of operations, all changes in market conditions will directly result in an increase (decrease) in net assets. Market price risk is managed by the Council through construction of a diversified portfolio of instruments traded on various markets and across various industries.

The Council's investments in equities are also sensitive to market fluctuations. An immediate hypothetical decline of 10% in equity values will impact the Council's equity investments by an approximate loss of $57,378 (2010 - $41,312).

Liquidity risk

Liquidity risk is both the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities, and there will be no ability to sell its financial instruments should it wish to do so.

The Council's Investment Policy, which is reviewed and approved by the Coordinating Committee annually, establishes the nature of acceptable investments for its portfolio. As a result, 100% of the Council's investments are in liquid securities traded in public markets. Although market events could lead to some investments becoming illiquid, the diversity and quality of the Council's portfolio should ensure that liquidity is available to pay liabilities as they come due. The Council also maintains cash on hand for liquidity purposes and to pay accounts payable and accrued liabilities.

10. Financial instruments (continued):

(b) Associated risks (continued):

Liquidity risk (continued)

Further, investments are structured with varying maturity dates and payment frequencies. At December 31, 2011, the Council had cash on hand in the amount of $452,336 (2010 - $752,827). The following table summarizes mix of contractual maturities of all financial assets at December 31 by the earlier of contractual repricing or maturity dates:

	2011	2010
Less than one year	38%	56%
1 - 5 years	18%	18%
More than 5 years	44%	26%

Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Council. In relation to the Council activities, credit risk arises from the issuance of permits by accredited third-parties and subsequent remittance of levies to the Council. This risk is mitigated through the Council's ongoing due diligence of accredited organizations, and the number of accredited organizations issuing permits. In relation to the Council's investment portfolio, credit risk arises from the bond or equity issuer defaulting on its obligations.

The Council manages credit risk by investing in securities with rating of AA or higher and diversifying its investment portfolio to reduce the risk to an acceptable level. Cash is held with reputable financial institutions and accounts receivable are with counterparties that the Council believes to be reputable entities. No individual financial asset is significant to the Council's operations.

Interest rate risk

Interest rate risk is the risk that the market value of the Council's investments will fluctuate due to changes in market interest rates. To properly manage the Council's interest rate risk, appropriate guidelines on the weighting and duration for the bonds and other fixed income investments are set and monitored. The Council's investments in fixed income are sensitive to interest rate movements. An immediate hypothetical 100 basis point or 1% increase in interest rates, with all other variables held constant, would impact fixed income investments by an estimated loss of $230,330 (2010 - $150,159).

Improvement Districts' Trust Account
Summary Statement of Revenue and Expenditures
For the year ended December 31, 2011
(Unaudited)

	Improvement Districts						
	4	9	12	13	24	Kananaskis[a]	Total
Assets	$ 895,582	$ 8,523,235	$ 902,893	$ 650,648	$ 423,692	$ 3,893,723	$ 15,289,773
Liabilities	73,868	3,045,005	530,283	448,920	411,358	955,765	5,465,199
Net assets	$ 821,714	$ 5,478,230	$ 372,610	$ 201,728	$ 12,334	$ 2,937,958	$ 9,824,574
Revenues	$ 723,179	$ 1,808,975	$ 173,766	$ 45,432	$ 357,943	$ 1,977,384	$ 5,086,679
Expenditures	795,234	1,177,027	143,441	20,957	355,843	1,724,777	4,217,279
Excess / (Deficiency) of revenue over expenditure	$ (72,055)	$ 631,948	$ 30,325	$ 24,475	$ 2,100	$ 252,607	$ 869,400

Improvement District:

4 Waterton National Park
9 Banff National Park
12 Jasper National Park
13 Elk Island National Park
24 Wood Buffalo National Park

[a] Ministerial Order No. L:131/08 delegated the administration of the Kananaskis Improvement District to the Minister of Tourism, Parks and Recreation.

Improvement Districts' Trust Account
Detailed Statement of Revenue and Expenditures
For the year ended December 31, 2011
(Unaudited)

	Improvement Districts						
	4	9	12	13	24	Kananaskis	Total
REVENUES							
General Municipal:							
Taxation							
Real property	$ 367,964	$ 2,427,270	$ 33,942	$ 4,828	$ 5,810	$ 1,077,700	$ 3,917,514
Federal grants	106,653	736,341	52,260	34,844	15,970	11,713	957,781
Provincial grants	-	-	-	-	-	109,548	109,548
Power and pipeline	3,036	68,585	117,021	8,039	3,646	417,960	618,287
Oilwell drilling	-	-	-	-	-	14,590	14,590
Penalties and costs	3,029	15,267	29	579	245	13,812	32,961
	480,682	3,247,463	203,252	48,290	25,671	1,645,323	5,650,681
Less payment of requisitions to:							
Alberta School Foundation Fund	284,766	1,521,384	120,136	16,549	9,071	589,671	2,541,577
Seniors Foundation	-	77,743	6,795	-	-	26,957	111,495
	284,766	1,599,127	126,931	16,549	9,071	616,628	2,653,072
General municipal taxes	195,916	1,648,336	76,321	31,741	16,600	1,028,695	2,997,609
Government transfers	526,592	38,874	92,804	11,129	340,879	278,237	1,288,515
Interest	496	47,886	4,641	2,562	464	19,904	75,953
Utility Services	-	-	-	-	-	494,010	494,010
Other	175	73,879	-	-	-	156,538	230,592
	$ 723,179	$ 1,808,975	$ 173,766	$ 45,432	$ 357,943	$ 1,977,384	$ 5,086,679
EXPENDITURES							
General Municipal:							
Administrative services	$ 45,425	$ 202,896	$ 27,901	$ 2,048	$ 2,920	$ 196,395	$ 477,585
Protective services	-	587,508	20,934	-	-	883,119	1,491,561
Transportation services	-	-	-	-	-	95,446	95,446
Assessment fees	7,623	29,584	11,225	7,780	12,044	-	68,256
Grants	-	-	83,381	11,129	340,879	-	435,389
Recreation and cultural services	565,385	245,844	-	-	-	-	811,229
Utilities	-	6,784	-	-	-	78,437	85,221
Honorarium	9,550	47,350	-	-	-	12,165	69,065
Garbage collection and disposal	-	-	-	-	-	308,257	308,257
Amortization	114,338	55,261	-	-	-	124,213	293,812
Other expenditures	52,913	1,800	-	-	-	26,745	81,458
	$ 795,234	$ 1,177,027	$ 143,441	$ 20,957	$ 355,843	$ 1,724,777	$ 4,217,279
Excess / (Deficiency) of revenue over expenditure	$ (72,055)	$ 631,948	$ 30,325	$ 24,475	$ 2,100	$ 252,607	$ 869,400

SPECIAL AREAS TRUST ACCOUNT

FINANCIAL STATEMENTS

DECEMBER 31, 2011

Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes of Net Financial Assets

Statement of Cash Flows

Notes to the Financial Statements

Schedule of Investments

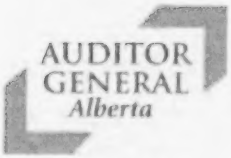
Schedule of Salaries and Benefits

Supplementary Net Financial Asset Information Schedule

Supplementary Unrestricted Accumulated Surplus Information Schedule

Schedule of Segment Expenditure Disclosure by Object

Independent Auditor's Report



To the Minister of Municipal Affairs

Report on the Financial Statements

I have audited the accompanying financial statements of the Special Areas Trust Account, which comprise the statement of financial position as at December 31, 2011, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Special Areas Trust Account as at December 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

March 27, 2012

Edmonton, Alberta

SPECIAL AREAS TRUST ACCOUNT
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2011

	2011	2010
Financial Assets		
Current:		
Cash (Note 3)	$ 33,273,975	$ 26,110,677
Accounts receivable (Note 4)	2,170,962	2,411,665
Notes receivable (Note 5)	2,676,561	1,827,191
Due from Province of Alberta (Note 6)	78,368	2,087,298
Taxes receivable (Note 7)	593,903	1,279,187
	38,793,769	33,716,018
Non-current:		
Accounts receivable (Note 4)	1,996,909	2,368,225
Notes receivable (Note 5)	18,156,407	17,201,484
Investments (Schedule 1)	25,257,363	25,658,520
Total Financial Assets	84,204,448	78,944,247
Liabilities		
Current:		
Accounts payable and accruals	2,051,890	2,086,934
Deferred revenues	248,753	365,653
Deferred provincial grant revenue (Note 8)	168,652	341,251
Due to Province of Alberta (Note 6)	281,646	381,998
Current portion of long term debt (Note 9)	6,040,690	1,925,369
	8,791,631	5,101,205
Non-current:		
Long term debt (Note 9)	17,632,461	17,227,706
Provision for gravel pit reclamation (Note 10)	2,110,000	1,900,000
Total Liabilities	28,534,092	24,228,911
Net Financial Assets (Schedule 3)	55,670,356	54,715,336
Non-financial Assets		
Prepaids	544,134	130,730
Capital assets	169,777,089	158,750,405
Inventories	5,158,091	5,369,864
Non-financial Assets (Note 11)	175,479,314	164,250,999
Accumulated Surplus (Note 12)	$ 231,149,670	$ 218,966,335

Commitments (Note 21)

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011		2010
	BUDGET (Note 13) (Unaudited)	ACTUAL	ACTUAL
Revenue			
Taxation			
Power and pipeline	$ 32,782,700	$ 32,079,813	$ 29,937,368
Real property	9,565,700	10,044,504	8,734,009
Grazing and cultivation	751,600	757,640	686,403
Penalties and costs on taxes	75,000	126,619	262,786
	43,175,000	43,008,576	39,620,566
Less requisitions (Note 14)	(16,571,600)	(16,406,332)	(16,571,750)
Net taxes for municipal purposes	**26,603,400**	**26,602,244**	**23,048,816**
Leases (Note 15)	9,026,195	10,188,929	8,960,785
Provincial grants (Note 16)	6,204,063	6,096,824	5,981,154
Provincial capital grants (Note 16)	1,600,000	1,567,232	3,591,440
Interest	2,156,143	2,105,141	2,073,653
Federal capital grants	263,547	451,856	1,244,354
Tax recovery land sales	575,000	380,597	686,781
Other	1,557,200	2,880,421	1,449,218
Total revenue	**47,985,548**	**50,273,244**	**47,036,201**
Expense			
Transportation services	22,761,516	19,457,143	15,393,576
Administrative services	5,634,772	4,358,218	4,920,644
Recreational and cultural services	2,504,242	2,748,807	4,108,802
Water and sanitation services	3,323,858	2,381,866	2,207,056
Agriculture and community development	2,269,430	2,176,766	2,065,970
Protective services	1,136,574	894,523	1,184,065
Industrial tax transfers	230,000	219,726	229,742
Loss on sale of capital assets	-	376,335	119,849
Amortization	-	5,476,525	4,962,411
Total expense (Note 17)	**37,860,392**	**38,089,909**	**35,192,115**
Excess of revenue over expenses	**$ 10,125,156**	**$ 12,183,335**	**$ 11,844,086**
Accumulated surplus at beginning of year	218,966,335	218,966,335	207,122,249
Accumulated surplus at end of year	**$ 229,091,491**	**$ 231,149,670**	**$ 218,966,335**

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENTS OF CHANGES IN NET FINANCIAL ASSETS
AS AT DECEMBER 31, 2011

	2011		2010
	BUDGET (Note 13) (Unaudited)	ACTUAL	ACTUAL
Excess of revenue over expenses	10,125,156	12,183,335	11,844,086
Acquisition of tangible capital assets	(10,583,656)	(17,832,361)	(15,512,715)
Loss on sale of tangible capital assets	-	376,335	119,849
Net transfers to capital	(1,024,000)	-	-
Proceeds on disposal of tangible capital assets	1,982,500	952,817	103,883
Amortization of tangible capital assets	-	5,476,525	4,962,411
Acquisition of prepaid assets	-	(413,404)	(130,730)
Change in inventory	-	211,773	(214,822)
Increase in net financial assets	500,000	955,020	1,171,962
Net financial assets, beginning of year	54,715,336	54,715,336	53,543,374
Net financial assets, end of year	55,215,336	55,670,356	54,715,336

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011	2010
Operating activities:		
Excess of revenue over expenses	$ 12,183,335	$ 11,844,086
Amortization of investment premiums, less discounts	136,366	141,057
Gain on sale of investments	(127,462)	(106,929)
Amortization of capital assets	5,476,525	4,962,411
Amortization relating to self-constructed assets	(1,193,320)	(1,012,019)
Loss on sale of capital assets	376,335	119,849
Increase in provision for gravel pit reclamation	210,000	160,000
	17,061,779	16,108,455
Changes in non-cash operating items:		
Prepaids & accounts receivable	198,615	(449,155)
Notes receivable	(849,370)	(467,868)
Due from Province of Alberta	2,008,930	(1,032,834)
Taxes receivable, net	685,284	(709,707)
Accounts payable and accruals	(35,044)	(183,163)
Deferred revenues	(116,900)	(170,528)
Deferred provincial grant revenue	(172,599)	(1,113,690)
Due to Province of Alberta	(100,352)	(463,643)
Inventories	211,773	(214,822)
	1,830,337	(4,805,410)
Cash provided by operating activities	18,892,116	11,303,045
Capital activities:		
Sale of capital assets	952,817	103,883
Purchase of capital assets	(16,639,041)	(14,500,696)
Cash applied to capital activities	(15,686,224)	(14,396,813)
Investing activities:		
Net change in notes receivable	(954,923)	(2,776,622)
Proceeds from redemption of investments	7,438,179	4,484,510
Purchase of investments	(7,045,926)	(3,549,755)
Cash applied to investing activities	(562,670)	(1,841,867)
Financing activities:		
Long term debt issued	6,564,161	5,000,000
Long term debt repaid	(2,044,085)	(2,972,720)
Cash provided by financing activities	4,520,076	2,027,280
Increase (decrease) in cash	7,163,298	(2,908,355)
Cash at the beginning of year	26,110,677	29,019,032
Cash at end of year	**$ 33,273,975**	**$ 26,110,677**

The accompanying notes and schedules are part of these financial statements.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2011

Note 1 Authority and Purpose

The Special Areas Trust Account operates under the authority of the *Special Areas Act*, Revised Statutes of Alberta 2000, chapter S-16. The Special Areas Trust Account is held by the Special Areas Board, an agent of the Crown in right of Alberta, and as such, has a tax exempt status.

The Special Areas Board ("the Board") is appointed by the Lieutenant Governor in Council. The Board provides municipal services and long-term land resource management.

Note 2 Significant Accounting Policies

(a) General

These financial statements are the representations of management, and have been prepared in accordance with Canadian public sector accounting standards and include the following significant accounting policies:

(b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

Revenue resulting from mineral surface leases are first recognized on the initial agreement date and then on the anniversary date each year thereafter. All other leases are recognized as earned on an annual basis (e.g. cultivation, grazing, etc.) and are due and payable at the beginning of the year.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2011

Note 2 (c) Land

(cont'd) Tax recovery land, including any mineral surface leases attached thereto, was acquired for insignificant amounts and is not recorded in the Statements of Financial Position. Approximately 1.044 million acres of tax recovery land remains unsold as at December 31, 2011 (2010 - 1.056 million acres).

Crown land transferred to the Province of Alberta from the Government of Canada for no monetary consideration, located within the Special Areas and administered by the Special Areas Board, is not valued for financial statement purposes. This consists of approximately 1.575 million acres (2010 - 1.584 million acres).

Road infrastructure land right of ways, located within the Special Areas and administered by the Special Areas Board, were transferred to the Province of Alberta from the Government of Canada for no monetary consideration. The Board has also acquired additional right of way for road widening purposes for insignificant amounts. As at December 31, 2011, the road infrastructure right of ways consist of approximately 0.012 million acres of land (2010 - 0.012 million acres) and are not recorded in the Statements of Financial Position.

(d) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported revenue and expenditures during the reporting period. Significant areas requiring the use of management estimates relate to the determination of employee benefit plans, allowance for doubtful accounts receivable, provision for contingencies, gravel inventory, gravel pit reclamation, and both current and prior years tangible capital asset historical costs and related amortization. A significant component of these tangible capital asset costs are self constructed and their cost is measured by the use of equipment rates which are approximations of actual costs incurred. Actual results could differ from management's best estimates as additional information becomes available.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2011

Note 2 (e) Financial Instruments

(cont'd) The carrying value of cash, current accounts receivable, current notes receivable, taxes receivable, amounts due to / from Province of Alberta, current debt, accounts payable and accruals approximate fair value due to the short-term nature of these items.

All non-current receivables and long-term debt are a result of binding contractual agreements. The carrying value of these non-current accounts approximate their fair value.

The fair value of investments December 2011 are disclosed on Schedule 1.

(f) Over/under levy

Over-levies and under-levies arise from the difference between the actual property tax levy made to cover each requisition and the actual amount requisitioned. Requisition tax rates in the subsequent year are adjusted for any over-levies or under-levies of the prior year.

(g) Investments

Investments are valued at cost adjusted for the applicable amortization of discount or premium using the straight-line method over the period to maturity. Where there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

(h) Pensions

The Board participates in two multi-employer defined benefit pension plans, the Management Employees Pension Plan and the Public Service Pension Plan. The Board accounts for its participation in these plans on a defined contribution basis. Pension costs included in these statements comprise of the cost of employer contributions for current service of employees during the year.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2011

Note 2 (i) Non-financial Assets

(cont'd)

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of goods and services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

Inventories

The cost of consumable supplies is included as an expenditure when incurred. For information purposes, inventories of consumable supplies are shown on the balance sheet as non-financial assets at net book value.

Inventories are valued at the lower of cost or net replacement value. Costs for all inventories are determined by using the first-in-first-out method with the exception of parts which are valued by using the average costing method.

Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Tangible Capital Assets

Tangible capital assets consist of engineering structures, roads, buildings, vehicles, equipment, land, water/wastewater utilities and dams.

For the purposes of the Board, tangible capital assets having an original cost greater than $2,500 ($10,000 for engineered structures and third party software development) and a useful life greater than one year are shown on the statement of financial position as non-financial assets at net book value. Purchased land and other off the shelf electronic data processing equipment are all capitalized.

The Special Areas Board in its provision of transportation services, undertakes using its own forces, a significant amount of construction activity consisting of road building and road resurfacing. These activities are considered to be capital in nature as they result in the construction of tangible capital assets. Thus the expenditures made for direct manpower, materials and indirect equipment costs relating to these activities are removed from operational expenditures to reflect the capital component of the assets being self-constructed. An hourly equipment rate is used to estimate the actual indirect equipment cost, including amortization, and is the basis for allocating these costs to the road construction projects. Annually, the total estimated equipment costs included in the road construction projects is compared to actual equipment costs incurred.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2011

Note 2 (i) Non-financial Assets

(cont'd) Tangible capital assets are recorded at cost, net of asset disposals, write-downs and amortization.

The cost of tangible capital assets shown on the statement of financial position is amortized to estimated salvage value in a manner that reflects the consumption of their future economic benefits at the following rates (rates and values expressed as a percentage of original cost):

	Annual Amortization			Estimated Salvage Value
	Year 1	Year 2	Year 3 and Thereafter	
	%	%	%	%
Mobile equipment	5.00	5.00	5.00	5.00
Buildings	2.50	2.50	2.50	2.50
Engineered structures	2.50	2.50	2.50	2.50
Automotive equipment	20.00	15.00	10.00	10.00
Machinery and equip.	6.67	6.67	6.67	6.67
Electronic data processing				
- Hardware	40.00	30.00	20.00	0.00
- Software	25.00	25.00	25.00	0.00
Road infrastructure	0.25 to 10.00	0.25 to 10.00	0.25 to 10.00	30.00 to 90.00
Water/wastewater lines	2.50	2.50	2.50	0.00
Dams	2.50	2.50	2.50	0.00

The portion of the cost of purchased land attributed to the value of gravel situated on the land, is amortized at the rate at which the gravel is excavated.

Note 3 Cash

Cash includes funds held in the Consolidated Cash Investment Trust Fund which is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is composed of high quality short-term and mid-term cashable fixed income securities with a maximum term-to-maturity of three years. As at December 31, 2011, securities held by the Fund had a time-weighted return of 1.27% per annum (2010 - 0.95% per annum).

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2011

Note 4 Accounts Receivable

Accounts receivable, net of applicable allowances for doubtful accounts of $46,220 (2010 - $59,007), are comprised of the following:

	2011	2010
Current:		
From sale of tax recovery land & related mineral surface leases	$ 408,209	$ 511,759
Accrued interest	39,579	50,275
	447,788	562,034
Leases	628,578	119,937
Equipment rentals	515,091	29,397
Accrued interest on investments	95,878	94,713
High speed wireless	71,701	91,701
Local improvement recoveries	58,744	76,688
Oil well drilling	28,930	111,031
Federal grant receivable	-	1,118,945
Miscellaneous	324,252	207,219
	$ 2,170,962	$ 2,411,665
Non-current:		
From sale of tax recovery land & related mineral surface leases	$ 1,570,244	$ 1,928,800
High speed wireless	356,174	356,174
Miscellaneous	70,491	83,251
	$ 1,996,909	$ 2,368,225

Payment for tax recovery land sold and for the sales of related mineral surface leases may be made in installments over a period not exceeding ten years. An interest rate of 8% per annum is applied to tax recovery land sale II and 6% per annum to tax recovery land sale III that commenced in 2004. Title to tax recovery land sold (and related leases sold) is transferred from the Minister of Municipal Affairs to the purchaser after all payments have been received. If a purchaser defaults in payment, the agreement(s) for sale may be declared null and void and all monies received may be retained as liquidated damages.

The high speed wireless receivable is a result of the Board entering into a memorandum of agreement with an internet service provider to facilitate the delivery of high-speed internet to residents of the Special Areas. Certain equipment was offered for sale by the Board to the internet service provider at the Board's cost. Repayment terms will be based on network usage and a promissory note that will be signed upon completion of the joint project.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2011

Note 5 Notes Receivable

Notes receivable are comprised of the following:

	2011	2010
Current:		
Acadia Foundation	2,135,122	1,796,031
Acadia Foundation - accrued interest	32,980	31,160
	2,168,102	1,827,191
Village of Consort	500,000	-
Other	8,459	-
	$ 2,676,561	$ 1,827,191
Non-current:		
Acadia Foundation	$ 18,115,110	$ 17,137,437
Other	41,297	64,047
	$ 18,156,407	$ 17,201,484

The Acadia Foundation loan is a result of the Board entering into a memorandum of understanding with the other municipal members of the Acadia Foundation to borrow on behalf of the Acadia Foundation from the Alberta Capital Finance Authority. These funds are then advanced to the Acadia Foundation for the construction and renovation of the seniors lodges in Oyen, Consort and Hanna. Repayment is based on the issuance of unsecured interest bearing promissory notes of either 10 or 25 year terms with respective interest rates ranging from 3.14% to 5.00% (2010 - 3.34% to 5.00%). Semi-annual payments totaling $2,675,202 (2010 - $2,207,864) were made in June and December. Interest revenue recognized as a result of this loan in 2011 was $743,982 (2010 - $679,401).

The Village of Consort loan is a result of the board entering into a memorandum of understanding with the Village of Consort to advance the Village funds to complete the renovations of the Consort Sportex. The loan is interest free and is due and payable in February 2012. Subsequent to December 31, 2011 the Board approved application of 2012 MSI funds to pay the balance of the loan.

Principal repayments on long-term receivable are estimated as follows:

2012	$ 2,676,561
2013	2,222,254
2014	2,304,430
2015	2,389,688
2016	2,478,144
Thereafter	6,085,330
	$ 18,156,407

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2011

Note 6 Due (to) from Province of Alberta

The net amount due (to) from the Province of Alberta is comprised of the following:

	2011	2010
Due from Province of Alberta:		
Service Alberta	$ 65,454	$ 11,060
Environment	11,314	45,434
Agriculture and Rural Development	1,600	271,600
Infrastructure - Building Canada Fund	-	1,118,945
Transportation	-	640,259
	78,368	2,087,298
Due to Province of Alberta:		
Environment	(198,738)	(213,124)
Other	(82,908)	(168,874)
	(281,646)	(381,998)
Due (to) from Province of Alberta	$ (203,278)	$ 1,705,300

Note 7 Taxes Receivable

	2011	2010
Current taxes	$ 666,808	$ 1,166,522
Under levy	46,601	403,413
Tax arrears	331,981	383,874
	1,045,390	1,953,809
Less allowance for doubtful accounts:	(451,487)	(674,622)
	$ 593,903	$ 1,279,187

Note 8 Deferred Provincial Grant Revenue

	2011	2010
Transportation	$ 158,193	$ 140,795
Agriculture and Rural Development	10,459	12,572
Municipal Affairs	-	187,884
	$ 168,652	$ 341,251

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2011

Note 9 Long Term Debt

	2011	2010
Alberta Capital Finance Authority loan, repayable in semi-annual installments of $263,223, including fixed interest at 4.39%, due June 2018	$ 2,949,516	$ 3,333,909
Alberta Capital Finance Authority loan, repayable in semi-annual installments of $251,377, including fixed interest at 4.01%, due December 2018	3,041,951	3,411,506
Alberta Capital Finance Authority loan, repayable in semi-annual installments of $493,631, including fixed interest at 3.34%, due December 2019	6,879,846	7,618,470
Alberta Capital Finance Authority loan, repayable in semi-annual installments of $298,660, including fixed interest at 3.51%, due June 2020	4,356,393	4,789,190
Alberta Capital Finance Authority loan, repayable in semi-annual installments of $162,114, including fixed interest at 3.14%, due June 2021	2,645,445	-
Alberta Treasury Branches (ATB) demand loan, repayable in semi-annual installments of $380,000, plus monthly variable interest at ATB prime -0.25%	3,800,000	-
	23,673,151	19,153,075
Less: current portion	6,040,690	1,925,369
	$ 17,632,461	$ 17,227,706

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2011

Note 9 Long Term Debt

(cont'd) The current portion of long-term debt includes all of the ATB loan due to its demand feature.

Principal repayments on long-term debt in each of the next five years (assuming the demand loan will not be called and will be renewed at similar terms as it comes due) are estimated as follows:

2012	$ 3,380,690
2013	3,083,396
2014	3,169,196
2015	3,258,210
2016	2,970,558
Thereafter	7,811,101
	$ 23,673,151

The total cash payments for interest in 2011 were $760,819 (2010 - $701,855).

Note 10 Provision for Gravel Pit Reclamation

The provision for gravel pit reclamation costs are estimates of future costs of restoring gravel pits to the standards required by the *Environmental Protection and Enhancement Act*.

The estimated liability is based on the total cubic meters of exposed gravel pits multiplied by the price per cubic meter to reclaim the sites.

In 2011 it was estimated that 798,547 cubic meters (2010 - 757,410 cubic meters) of gravel pits were exposed at an approximate cost for reclamation of $2.65 per cubic meter (2010 - $2.50 per cubic meter), for a total liability of $2,110,000 (2010 - $1,900,000).

There is uncertainty with respect to the measurement of the estimates. Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

Reclamation is ongoing and the uncertainty inherent in the provision will thus be partially resolved each year.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2011

Note 11 Non-financial Assets

	2011			2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Tangible Capital Assets:				
Mobile equipment	$ 27,414,241	$ 6,574,095	$ 20,840,146	$ 13,795,524
Engineered structures	7,577,496	857,371	6,720,125	6,578,641
Buildings	9,241,196	3,935,030	5,306,166	5,343,720
Automotive equipment	13,668,271	8,552,476	5,115,795	4,485,345
Machinery and equipment	4,349,257	2,137,038	2,212,219	2,043,174
Land	1,036,729	138,005	898,724	910,124
Electronic data processing				
- Hardware	1,464,422	1,300,051	164,371	133,468
- Software	1,630,170	1,481,554	148,616	159,853
Road infrastructure	160,950,713	32,644,187	128,306,526	125,234,077
Water/wastewater lines	54,027	53,322	705	728
Dams	367,494	303,798	63,696	65,751
Tangible Capital Assets	$ 227,754,016	$ 57,976,927	$169,777,089	$158,750,405

	Cost	Allowance for obsolescence	Net Book Value	Net Book Value
Inventory:				
Parts	$ 1,151,800	$ 11,518	$ 1,140,282	$ 1,019,291
Gravel	3,606,662	-	3,606,662	4,059,045
Culverts	132,617	-	132,617	115,653
Fuel	162,675	-	162,675	105,899
Fencing	82,197	-	82,197	21,587
Chemicals and other	33,658	-	33,658	48,389
Inventory	$ 5,169,609	$ 11,518	$ 5,158,091	$ 5,369,864
Prepaids			$ 544,134	$ 130,730
Total non-financial assets			$175,479,314	$164,250,999

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2011

Note 12 Accumulated Surplus

Accumulated Surplus consists of unrestricted amounts and internally restricted as follows:

	2011	2010
Unrestricted Accumulated Surpluses		
Equity in tangible capital assets	$165,977,089	$158,750,405
Equity in inventory	5,158,091	5,369,864
Unrestricted operational surplus	14,904,638	10,085,366
Internally Restricted Accumulated Surplus		
Tax Recovery Land Sales	45,109,852	44,760,700
Total Accumulated Surplus (Schedule 4)	$231,149,670	$218,966,335

The internally restricted accumulated surplus are funds that are available to meet cash flow needs but may not be used for expenditures without authorization by the Minister of Municipal Affairs.

Note 13 Budget

The 2011 municipal budget was adopted by the Board and approved by the Minister of Municipal Affairs in January 2011. The budget was prepared on the previous basis of accounting and as such does not reflect the impact of adopting Tangible Capital Assets (TCA). A reconciliation to that basis is as follows:

	2011		2010
	Budgeted	Actual	Actual
Surplus during the year	$ 10,125,156	$ 12,183,335	$ 11,844,086
Acquisition of tangible capital assets	(10,583,656)	(17,832,361)	(15,512,715)
Net transfers to capital	(1,024,000)	3,800,000	(1,324,143)
Loss on sale of tangible capital assets	-	376,335	119,849
Proceeds on disposal of tangible capital assets	1,982,500	952,818	103,883
Amortization of tangible capital assets	-	5,476,525	4,962,411
	500,000	4,956,652	193,371
Tax Recovery Land Sales - transferred from operations	(500,000)	(349,152)	(627,884)
Surplus (Deficit)	$ -	$ 4,607,500	$ (434,513)

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2011

Note 14 Requisitions

	2011	2010
Alberta School Foundation Fund	12,637,078	13,284,609
Seniors Foundation	3,769,254	3,287,141
	$ 16,406,332	$ 16,571,750

Note 15 Lease Revenue

	2011	2010
Equipment rentals	$ 3,826,001	$ 3,170,117
Mineral surface leases	3,350,509	3,420,645
Grazing leases	1,214,996	1,060,252
Easements	558,616	31,633
Community pastures	542,708	480,126
Cultivation leases	294,847	294,823
Other	401,252	503,189
	$ 10,188,929	$ 8,960,785

Note 16 Provincial Grants

	2011	2010
Provincial grants:		
Municipal Affairs	$ 3,680,144	$ 3,789,317
Transportation	1,747,823	1,470,198
Agriculture and Rural Development	386,761	447,612
Children and Youth Services	147,443	157,954
Infrastructure	115,713	95,442
Tourism, Parks and Recreation	16,000	16,000
Employment and Immigration	2,940	4,631
	$ 6,096,824	$ 5,981,154
Provincial capital grants:		
Municipal Affairs	$ 1,517,061	$ 2,472,494
Finance	50,171	1,118,946
	$ 1,567,232	$ 3,591,440

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2011

Note 17 Total Expenditure

Total expenditure for the year is analyzed by object of expenditure as follows:

	2011	2010
Manpower (Schedule 2)	$ 13,879,927	$ 12,789,258
Materials, goods, and utilities	13,944,381	12,915,549
Contract and general services	10,267,756	6,506,392
Amortization	5,476,525	4,962,411
Grants	2,503,734	3,905,380
Goods and services from Alberta Government departments		
Alberta Finance		
Risk Management	164,677	170,738
Investment fees	28,166	14,324
Alberta Municipal Affairs		
Linear assessment	152,248	96,111
Government Services	15,804	24,904
Interest on long-term debt	760,819	701,855
Industrial tax transfers	219,726	229,742
Loss on sale of capital assets	376,335	119,849
Provision for doubtful accounts	(234,716)	605,153
Less:		
Internal road projects capitalized in the year	(9,465,473)	(7,849,551)
	$ 38,089,909	$ 35,192,115

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2011

Note 18 Debt Limits

Section 276(2) of the Municipal Government Act requires that debt and debt limits as defined by Alberta Regulation 255/00 for the Board be disclosed as follows:

	2011	2010
Total debt limit	$ 72,381,234	$ 60,284,854
Total debt	23,673,151	19,153,075
Amount of debt limit unused	$ 48,708,083	$ 41,131,779
Debt servicing limit	$ 12,063,539	$ 10,047,476
Debt servicing	4,187,292	2,613,783
Amount of debt servicing limit unused	$ 7,876,247	$ 7,433,693

The debt limit is calculated at 1.5 times revenue of the Board (as defined in Alberta Regulation 255/00) and the debt service limit is calculated at 0.25 times such revenue. Incurring debt beyond these limitation requires approval by the Minister of Municipal Affairs. These thresholds are guidelines used by Alberta Municipal Affairs to identify municipalities that could be at financial risk if further debt is acquired. The calculation taken alone does not represent the financial stability of the Board. Rather, the financial statements must be interpreted as a whole.

Note 19 Related Party Transactions

Expenditures for goods and services are conducted in the normal course of operations with the Province of Alberta and are billed to the Board as disclosed in Note 17.

Grants provided by the Province of Alberta are disclosed in Note 16 and the amounts outstanding at the end of the year are disclosed in Note 6.

During the year the Board advanced $3,249,419 (2010 - $4,877,206) to Acadia Foundation, a significantly influenced related party. For further details see Note 5.

SPECIAL AREAS TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2011

Note 20 Pension Plan

The Board participates with other employers in the Public Service Pension Plan ("PSPP") and the Management Employees Pension Plan ("MEPP"). These plans provide pensions for the Board's employees based on years of service and earnings. The Board's contribution to the PSPP is 9.10% up to the CPP threshold of $44,800, and 13.00% thereafter. The Board's contribution to the MEPP is 19.14% up to the Salary Cap of $127,611.

Total current contributions by the Board in 2011 to the PSPP were $527,007 (2010 - $509,067) and to the MEPP were $122,811 (2010 - $155,079).

At December 31, 2010, the PSPP reported a deficit of $2,067,151,000 (2009 deficit - $1,729,196,000) and the MEPP reported a deficiency of $397,087,000 (2009 - $483,199,000).

Note 21 Commitments

The Board has entered into six long-term operating leases for equipment. It is also the Board's intention on purchasing five scrapers and five fire trucks. The future payments are as follows:

2012	$ 5,721,422
2013	54,000
2014	54,000
2015	54,000
2016	54,000
	$ 5,937,422

The Board had entered into a long-term gravel crushing contract in which the Board has committed to crushing 1,500,000 Tonnes from 2008 to 2013. Depending on conditions, an average of 300,000 Tonnes will be crushed annually.

Note 22 Administration Expenses

Accommodation costs for the offices at Hanna, amounting to approximately $70,000 annually, have not been included in the expenditures of the Board. The building is owned and operated by Alberta Infrastructure and all costs are recorded as expenditure of that Ministry.

Note 23 Comparative Figures

Certain 2010 figures have been reclassified to conform to 2011 presentation.

Note 24 Approval of Financial Statements

These financial statements have been approved by the Board.

Schedule 1

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF INVESTMENTS
AS AT DECEMBER 31, 2011

	2011						2010
	Stated Interest Rate	Effective Interest Rate	Maturity Date	Par Value	Fair Value	Book Value	Book Value
Bonds:							
Bank of Montreal	4.870%	3.900%	April 22, 2020	$ 700,000	$ 752,955	$ 725,373	$ 728,425
Bank of Nova Scotia	6.650%	3.290%	January 22, 2021	440,000	506,458	497,968	-
Bank of Nova Scotia	3.030%	3.030%	June 4, 2012	-	-	-	499,993
Canada Housing Trust	4.000%	4.290%	June 15, 2012	2,360,000	2,391,270	2,357,236	3,546,719
Canada Housing Trust	3.600%	2.880%	June 15, 2013	5,260,000	5,451,622	5,314,804	5,352,404
Canada Housing Trust	2.700%	2.650%	December 15, 2013	3,300,000	3,403,356	3,303,087	3,304,663
Canada Housing Trust	2.950%	3.080%	March 15, 2015	1,100,000	1,158,520	1,095,693	1,094,349
Canada Housing Trust	2.750%	2.500%	June 15, 2016	1,220,000	1,284,709	1,232,803	-
Canadian Imperial Bank of Commerce	4.110%	4.070%	April 30, 2020	700,000	734,468	700,000	700,000
Financement Quebec	3.250%	3.050%	June 1, 2014	500,000	523,270	502,250	503,180
Government of Canada	2.500%	1.760%	June 1, 2015	1,500,000	1,569,810	1,537,722	1,023,841
Government of Canada	2.000%	1.650%	June 1, 2016	2,785,000	2,875,122	2,827,668	-
Government of Canada	2.750%	1.230%	September 1, 2016	700,000	746,522	748,338	-
Government of Canada	6.000%	5.920%	June 1, 2011	-	-	-	95,023
Government of Canada	3.750%	4.010%	September 1, 2011	-	-	-	798,742
Government of Canada	5.250%	4.030%	June 1, 2012	-	-	-	3,544,021
New Brunswick Provincial	3.350%	3.060%	June 1, 2013	500,000	515,235	501,910	503,256
Province of Ontario	3.200%	2.820%	September 8, 2016	700,000	746,823	711,430	-
Province of Ontario	6.100%	4.490%	December 2, 2011	-	-	-	709,115
Province of Quebec	5.250%	3.650%	October 1, 2013	800,000	856,040	820,470	832,145
Province of Quebec	5.500%	2.740%	December 1, 2014	1,550,000	1,733,861	1,666,350	1,706,188
TD Bank	5.690%	5.020%	June 3, 2018	700,000	736,526	714,111	716,306
				24,815,000	25,986,567	25,257,213	25,658,370
Alberta Capital Finance Authority			(15 Shares)	150	150	150	150
				$ 24,815,150	$ 25,986,717	$ 25,257,363	$ 25,658,520

Note:

The Board, as part of its operations, carries these financial instruments. It is management's opinion that the Board is not exposed to significant currency or credit risks arising from these financial instruments.

Schedule 2

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011				2010	
	Number of Individuals (a)	Salary (b)	Other Cash Benefits (c)	Other Non-cash Benefits (d)	Total	Number of Individuals	Total
Chairman of the Special Areas Board	1	$ 151,254	$ 1,750	$ 8,105	$ 161,109	1	$ 166,744
Special Areas Board members	2	13,092	-	1,942	15,034	2	16,027
Director of Finance and Administration	1	117,080	7,071	30,201	154,352	1	142,792
Director of Municipal Services	1	56,514	3,770	5,579	65,863	1	121,600
Director of Properties Administration	1	12,652	8,283	4,486	25,421	1	136,909
Roads & Equipment Superintendent	1	98,788	1,750	26,353	126,891	1	123,863
Managers (e)	4	393,460	7,000	104,276	504,736	4	485,698
Other full time staff (f)	94.0	6,358,752	-	1,136,238	7,494,990	91.0	6,739,168
Part time and casual wage staff		4,703,288	-	504,570	5,207,858		4,805,309
Other Boards and committees		45,194	-	2,143	47,337		48,966
Advisory Councillors	13	30,418	-	890	31,308	15	23,676
(Decrease) Increase in vacation accrual		45,028	-	-	45,028		(21,494)
		$ 12,025,520	$ 29,624	$ 1,824,783	$ 13,879,927		$ 12,789,258

(a) Number of individuals consists of full time equivalents, except for Special Areas Board members and Advisory Councillors.

(b) Salary includes regular base pay.

(c) Other cash benefits includes bonuses, lump sum payments, honoraria and vacation payouts.

(d) Employer's share of all employee benefits and contributions or payments made on behalf of employees, managers and board members including Workers' Compensation Board, Canada Pension Plan, Employment Insurance, camp allowances, pension, health care, dental coverage, out of country medical benefits, membership fees, group life insurance, accidental death and dismemberment insurance and long-term disability plan.

(e) Average salary is $98,365 and average benefits (column c & d) are $26,069 totaling $124,434 (2010 - $122,640).

(f) Average salary is $67,646 and average benefits are $12,088 totaling $79,734 (2010 - $74,057).

SPECIAL AREAS TRUST ACCOUNT
SUPPLEMENTARY NET FINANCIAL ASSET INFORMATION SCHEDULE
AS AT DECEMBER 31, 2011

Schedule 3

	2011	2010
Change in Financial Assets		
Current:		
Cash	$ 7,163,298	$ (2,908,355)
Accounts receivable	(240,703)	318,425
Notes receivable	849,370	467,868
Due from Province of Alberta	(2,008,930)	1,032,834
Taxes receivable	(685,284)	709,707
	5,077,751	(379,521)
Non-current:		
Accounts receivable	(371,316)	-
Notes receivable	954,923	2,776,622
Investments	(401,157)	(968,883)
Increase in Financial Assets	5,260,201	1,428,218
Change in Liabilities		
Current:		
Accounts payable and accruals	35,044	183,163
Deferred revenues	116,900	170,528
Deferred provincial grant revenue	172,599	1,113,690
Due to Province of Alberta	100,352	463,643
Current portion of long term loan	(4,115,321)	(193,349)
	(3,690,426)	1,737,675
Non-current:		
Long term loan	(404,755)	(1,833,931)
Provision for gravel pit reclamation	(210,000)	(160,000)
Increase in Liabilities	(4,305,181)	(256,256)
Net increase in net financial assets	955,020	1,171,962
Net financial assets at the beginning of year	54,715,336	53,543,374
Net financial assets at end of year	**$ 55,670,356**	**$ 54,715,336**

SPECIAL AREAS TRUST ACCOUNT
SUPPLEMENTARY UNRESTRICTED ACCUMULATED SURPLUS INFORMATION SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011

Schedule 4

	2011 BUDGET (Note 13) (Unaudited)	2011 ACTUAL	2010 ACTUAL
Equity in capital assets at beginning of year		$ 158,750,405	$ 148,423,833
Add purchase of capital assets:			
Road infrastructure	3,375,000	9,465,473	7,849,551
Water and sanitation services	695,000	394,311	3,726,346
Transportation services	4,086,400	6,539,127	2,910,391
Protective services	973,100	529,961	582,937
Administrative services	464,906	250,670	196,433
Recreation and cultural services	551,000	299,082	140,204
Agriculture and community pasture services	438,250	353,737	106,853
	10,583,656	17,832,361	15,512,715
Annual amortization of capital assets		(5,476,525)	(4,962,411)
Disposal of capital assets		(1,329,152)	(223,732)
		169,777,089	158,750,405
Debt acquired net of payments		(3,800,000)	-
Equity in capital assets at end of year (Note 11, 12)		$ **165,977,089**	$ **158,750,405**
Equity in inventories at beginning of year		$ 5,369,864	$ 5,155,042
Add purchases and other inventory costs		3,872,971	3,695,428
Deduct requisitions		(4,084,744)	(3,480,606)
Equity in inventory at end of year (Note 11, 12)		$ **5,158,091**	$ **5,369,864**
Accumulated operational surplus at beginning of year		$ 10,085,366	$ 9,410,558
Surplus for the year		12,183,335	11,844,086
Debt acquired net of payments		3,800,000	-
Change in Non-Financial Assets		(10,814,911)	(10,541,394)
		15,253,790	10,713,250
Transfers to internally restricted reserves		(349,152)	(627,884)
Accumulated operational surplus at end of year (Note 12)		$ **14,904,638**	$ **10,085,366**
Internally restricted accumulated surplusses at beginning of year		$ 44,760,700	$ 44,132,816
Tax Recovery Land Sales - Transfers from operations		349,152	627,884
Internally restricted accumulated surplusses at end of year (Note 12)		$ **45,109,852**	$ **44,760,700**
		$ **231,149,670**	$ **218,966,335**

Schedule 5

SPECIAL AREAS TRUST ACCOUNT
SCHEDULE OF SEGMENT EXPENDITURE DISCLOSURE BY OBJECT
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011						
	Administrative Services	Protective Services	Transportation Services	Water & Sanitation Services	Agriculture & Community Development	Recreation & Cultural Services	Total
Expenditures:							
Manpower (Schedule 2)	$ 2,653,211	$ 203,177	$ 8,896,177	$ 548,057	$ 1,201,213	$ 378,092	$ 13,879,927
Materials, goods, and utilities	147,324	90,855	12,805,893	250,910	343,401	305,998	13,944,381
Contract and general services	597,741	600,491	7,212,313	1,315,551	396,573	145,087	10,267,756
Grants	80,484	-	4,210	265,271	235,579	1,918,190	2,503,734
Interest on long-term debt	760,819	-	-	-	-	-	760,819
Goods and services from GOA	353,355	-	6,100	-	-	1,440	360,895
Provision for doubtful accounts	(234,716)	-	-	-	-	-	(234,716)
Internal road projects capitalized			(9,465,473)				(9,465,473)
Segmented expenditures per department	$ 4,358,218	$ 894,523	$19,459,220	$ 2,379,789	$ 2,176,766	$ 2,748,807	$ 32,017,323
Industrial tax transfers	219,726	-	-	-	-	-	219,726
Loss on sale of capital assets	514	4,498	371,323	-	-	-	376,335
Amortization	321,347	380,307	4,467,727	181,820	64,845	60,479	5,476,525
Segmented expenditures per income statement	$ 4,899,805	$ 1,279,328	$24,298,270	$ 2,561,609	$ 2,241,611	$ 2,809,286	$ 38,089,909
Cash Basis Reconcilaition:							
Segmented expenditures per department	$ 4,358,218	$ 894,523	$19,459,220	$ 2,379,789	$ 2,176,766	$ 2,748,807	$ 32,017,323
Industrial tax transfers	219,726	-	-	-	-	-	219,726
Purchase of capital assets	250,670	529,961	16,004,600	394,311	353,737	299,082	17,832,361
Financing of capital assets	-	-	(3,800,000)	-	-	-	(3,800,000)
Tax recovery land sales	349,152	-	-	-	-	-	349,152
Segmented expenses per cash basis	$ 5,177,766	$ 1,424,484	$31,663,820	$ 2,774,100	$ 2,530,503	$ 3,047,889	$ 46,618,562
Budgeted expenditures per Cash Basis	$ 6,829,678	$ 2,029,674	$31,246,916	$ 4,098,858	$ 2,707,680	$ 3,055,242	$ 49,968,048

Note:

The Board provides a range of services to its ratepayers. For each reported segment, expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in the segments are consistent with these followed in the preparation of the financial statements as disclosed in Note 2.

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ISBN Print: 978-0-7785-9897-8
ISBN Electronic: 978-0-7785-9898-5

ISSN Print: 1925-9239
ISSN: Electronic: 1925-9247

June 2012

Printed in Alberta, Canada
on recycled paper